

## **DEBATE**

### **COMPLEXITIES OF INDIA'S ENGAGEMENT WITH IRAN**

The complexities of India's engagement with Iran span the entire gamut of bilateral, regional and global factors. They combine geographical, historical and cultural links with current tensions in the Gulf and beyond in key strategic areas that extend to energy, nuclear issues, the turmoil in West Asia and the approaching endgame in Afghanistan, each with a US dimension.

Iran is a proud civilizational entity with geo-strategic location that dominates the northern shore of the Persian Gulf, extending from the Arabian Sea to the Caucasus, with impressive human and natural resources. Currently, it is simultaneously confronting its own internal contradictions and the pressures of external powers. At the heart of these developments are the core issues of Tehran fiercely seeking to set its own agenda according to its worldview, the extent of its ability to do so and the domestic and international impact of consequent developments. While the current public discourse tends to centre on Iran's nuclear programme and the impact of UN and other sanctions since 2006, this journal's debate addresses a more comprehensive set of factors.

Iran's internal situation has evolved since the overthrow of the Shah. Within the template of the clergy's continued control of the state apparatus under the Supreme Leader and the Guardian Council, the politics of the revolution of 1979 have thrown up moderates and conservatives, clerical and otherwise, through a series of regular presidential and parliamentary elections since 1980. The conundrum is that an ostensibly democratic process has taken root in a manner not seen elsewhere in the Gulf, alongside widely proclaimed theological orthodoxy and autocracy as part of the political norm. The sanctions have had a severe growing impact on the economy, particularly on oil and gas exports, compounded by Iran's need to import petroleum.

Iran's relations with its neighbours encapsulate the major security issues of the region. Links with Saudi Arabia have been affected by regional balance-of-power considerations, Shia-Sunni issues,

differences on oil policy and on the role of the US in the Gulf. An apparent upswing, which started in the 1990s with high-level visits including invitations to Iran to GCC summits, has not erased deep-seated mutual suspicions. Iran's relations with other GCC members have also been prickly and problematic, notably Bahrain with its Shia majority under Sunni rule and the UAE, with which Tehran has territorial disputes despite otherwise extensive economic and socio-cultural relations. Oman is perhaps the exception in terms of sustained stable and friendly relations with Iran. Following the United States' dismantling of the Ba'athist state, Iran has seized the opportunity to develop strong ties with Iraq.

Pakistan has been a steadfast partner since the Shah's reign despite ongoing irritants, in particular the cross-border militant activities of Jundullah into Iran's Sistan and Baluchistan provinces. In Afghanistan, Iran has had serious concerns about the Taliban because of the latter's declared anti-Shia stance and consequent hostility towards the Hazaras. It has nevertheless sustained links, possibly even cooperation, with the Taliban shuras in the interests of seeing the Americans leave its neighbourhood. Narcotics from Afghanistan are causing serious domestic concern.

The violence in Syria is another ongoing crisis as a manifestation of upheavals in Arab countries, the so-called Arab Spring that has not delivered the desired results in Egypt, Libya and elsewhere. Tehran has firmly declared support for Syrian President Bashar al-Assad in the face of growing Western pressure and UNSC resolutions.

While playing a moderating role at the UN before going along with the Security Council resolutions, Russia and China have both pursued their respective interests bilaterally. Iran's relationship with Russia has been more substantive for reasons of proximity and history, and has seen major vicissitudes. Currently, Russia has generally been supportive of Tehran vis-à-vis US pressure, although it has prevaricated or reneged on some of its commitments. China has more recently intensified relations through energy sourcing, although it has quietly complied with the US pressure to reduce imports.

The US factor predominates over the role of all other external powers, as it did even before the overthrow of the Shah and the US Embassy hostage crisis (1979–80). Iran-US relations have been overtly

hostile ever since the Revolution, with Washington's support of Israel being an additional issue contributing to the antagonism. Periodic attempts by serious individuals on both sides to find some minimal common ground have led nowhere. Iranian support to the US after the terrorist attack on the American heartland on 11 September 2001 has made no difference in widening bilateral relations. Apart from the mental block caused by the hostage crisis, the US has problems with Iran's support to Hizbullah in Lebanon and Hamas in Gaza, and its perception that Tehran is sponsoring terrorist activities in several countries.

All these factors have coalesced into the current international tensions and positions on Iran's nuclear programme. Led by the US, itself under pressure from Israel, with the EU alternately playing both an intermediary and a confrontational role, the situation has seen negotiations, enticements in return for Iran halting uranium enrichment, Russian manoeuvres through bilateral cooperation with Iran on the Bushehr nuclear power plant, a series of UNSC and bilateral sanctions, and frustration at President Ahmadinejad's combativeness bordering on brinkmanship.

India has had to negotiate its way through the political, economic, strategic and socio-cultural dimensions of the situation. At a purely bilateral level, the extensive contemporary relationship with Iran has seen both positive and negative developments. As a major source of India's hydrocarbon imports, Iran is a strategic trading partner. It has been a market for a wide range of Indian goods including rice, machinery and pharmaceuticals. Iran provides India connectivity, even if underutilized, to Afghanistan, Central Asia, Russia and the Caucasus. However, Iran's close relations with Pakistan have resulted in anti-India positions and perceptions; it acquired nuclear designs through the nuclear black market of Pakistan's A.Q. Khan, has been complicit with the anti-India resolutions of the Organization of Islamic Conference (OIC), has reneged on a commercial gas contract, delayed facilitating the development of Chahbahar port for India's use, and voted against India at the IAEA. India has consistently advocated resolution of the nuclear issue through diplomatic means while supporting Iran's right to the peaceful use of nuclear energy and opposing its acquisition of nuclear weapons in keeping with its rights and obligations as a state party to the NPT. India's 2005 vote at the IAEA in favour of referring Iran's nuclear programme to the UNSC

was however seen as anti-Iran under US pressure.

In any event, it was a turning point that brought a new reality into the relationship. UN and American sanctions have also created problems for India's banking and payment arrangements, shipping and trade with Iran. Tehran and New Delhi have nevertheless been able to develop and sustain a comprehensive relationship based on mutual appreciation of each other's weightage and even to contemplate an Iran-Pakistan-India pipeline, now considered too problematic for a variety of regional reasons, quite apart from American reservations.

The uncertainties of the internal situation in Iran and the growing regional and global tensions focused on its relationships and policies raise several questions:

- What is the likely direction of internal developments in Iran given its domestic political and economic dynamics and external pressures?
- What is Iran's role amidst the crises in West Asia today and what impact can it have in the near and medium term? What are the likely dimensions of future US policy towards Iran, based on Washington's energy interests in the Gulf, moves towards domestic and South American sources and strategic support of Israel?
- What are the plausible consequences if Iran were to develop nuclear weapon capability and to test?
- In safeguarding India's interests vis-à-vis Iran and the Gulf, what policies and positions have worked so far and how should India proceed, given likely developments?
- What kind of strategy should India develop for its energy requirements in terms of both domestic and foreign policy?

The *Indian Foreign Affairs Journal* posed these questions to four eminent scholars and policy practitioners.

**Gulshan Dietl**, till recently Professor, Centre for West Asian Studies, School of International Studies, Jawaharlal Nehru University, New Delhi, states:

#### **India Needs to Broaden its Options**

India-Iran relations reached dizzying heights and saw steep slides

in the post-cold war period. The Indian end of the equation steadily moved from one end, reaching close to the other end of the spectrum. No bilateral relationship is immune to developments beyond the two countries. India-Iran relations, likewise, reflect changing realities on the ground over the years.

The bilateral relations are susceptible to influences from outside players as well. No country, however powerful, can formulate and implement its policy toward another in a total vacuum. India's Iran policy, as also its total foreign policy, reflects its domestic and external concerns and compulsions. India's need to secure its interests and broaden its options is unexceptionable. However, abstaining on Iran's nuclear issue and declining to launch the Israeli spy satellite to monitor the Iranian territory would have been well within India's interests and the external expectations.

A covert war has been going on between the US-Israel on the one hand and Iran on the other for many years now. What if there is a military confrontation between them? The Hyde Act requires Indian foreign policy to be "in congruence" with US foreign policy; especially to dissuade, isolate, sanction and contain Iran for its efforts to acquire weapons of mass destruction. What next?

**Arvind Gupta**, Director General, Institute for Defence Studies and Analyses, New Delhi, writes:

**India can Play a Stabilizing Role in the Region**

India-Iran relations are passing through a rough patch. Yet, Iran's importance for India will remain. Prime Minister Manmohan Singh's visit to Tehran in August 2012 for the Non-Aligned Summit was followed by bilateral talks with the Supreme Leader and the President. The two countries agreed to enhance the quality of their bilateral relations. Iran after a long time has agreed to the opening of an Indian cultural centre in its territory. The two sides have also agreed to develop the Chabahar port. The visit was long overdue. President Ahmadinejad had made a stopover in New Delhi for a few hours in 2008 on his way back from Sri Lanka. Since then the Iranians had been pressing for the Indian Prime Minister's visit to their country. It took four years for the Indian Prime Minister to pay a visit to Tehran. The Iranian leadership would be mollified by the Prime Minister's visit and

it is to hoped that the visit would give a timely shot to a sagging relationship which is otherwise a strategic relationship. No doubt, the West and the Israel will see it with some concern. They should realize, however, that India can play a stabilizing role in the region by having good relations with all sides and by avoiding zero-sum diplomacy. Iran on its part should also shed its excessive suspicion about India's ties with the West. Iran will gain by having good ties with India.

**Vijay Sakhuja**, Director (Research), Indian Council for World Affairs, New Delhi, is of the opinion that:

**India would have to Support UN-Sanctioned Operations**

India has on several occasions "affirmed that a nuclear Iran is not in its strategic interests". At the same time, it has termed Israel's plan to strike Iran's nuclear infrastructure as "unacceptable international behaviour".

Any confrontation between the US and Iran or any attack by Iran on international shipping in the Persian Gulf can significantly raise the insurance premiums, resulting in the oil prices skyrocketing. It would also result in several Asian and European countries forward-deploying their forces in the Gulf region to protect their energy supply chains. The Indian Navy would be required to escort Indian-flagged vessels carrying critical cargo heading for Indian ports. As a policy, India has avoided joining any coalition/alliance targeted against any country, but would have to support and participate in UN-sanctioned operations.

**Ishrat Aziz**, former Ambassador of India to Saudi Arabia, to the UAE, to Brazil, and to Tunisia recommends:

**Flexible and Pragmatic Bilateralism is the Best Approach**

India should emphasize multilateralism in dealing with any problems arising from Iran's nuclear programme. The phrase "coalition of the willing", which was employed to justify the attack on Iraq unilaterally, bypassing multilateralism, is objectively meaningless. India should emphasize that security for the Gulf should be inclusive. Exclusivity and isolation of any country will be divisive and a recipe for conflict rather than peace and stability.

India should cast its vote in the UN Security Council based on a clear and balanced calculation of the merits of the case and its

self-interest, constantly bearing in mind that it has interests on all sides – Iran, the GCC countries, Israel and the US.

Bilateralism is most effectively pursued when it is combined with strength. As India progresses and gains economic strength, its diplomatic credibility will increase and countries involved in disputes will all try to strengthen bilateral ties with India. As a country of 1.2 billion people, flexible and pragmatic bilateralism is the best approach for India's broader multidimensional interests.

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## ***India Needs to Broaden its Options***

Gulshan Dietl\*

What follows is an attempt to trace India's engagement with Iran in the post-cold war period, identify the highs and lows in its contours and analyse the current situation. The cold war at the global level coincided with the regional and domestic circumstances in Iran. The Islamic Revolution stabilized, the Iraq-Iran War ended and Ayatollah Ruhollah Khomeini died. Iran began an arduous process of resembling a normal political entity and sought to reach out to the world. India, like others, responded to the evolution in Iranian foreign policy.

### **Declarations of Engagement**

The first major landmark in the bilateral engagement was the visit of Prime Minister Narasimha Rao to Iran in September 1993. President Ali Akbar Hashemi Rafsanjani paid a return visit to India in April 1995 and Vice President K.R. Narayanan visited Iran in October 1996. A manifestation of the turning point in bilateral relations was the Iranian invitation to India to attend the Tehran Conference on Afghanistan in October 1996. Pakistan strongly objected to the invitation, threatened to abstain from the conference, and ultimately did so. The high-level exchanges between India and Iran led to further consolidation of ties in the form of two summit declarations in quick succession.

The Tehran Declaration (April 2001), signed during Prime Minister Atal Behari Vajpayee's visit to Iran, and the Delhi Declaration (January 2003), signed during President Muhammad Khatami's visit to India, were mutual pledges of engagement at a "strategic level" for a long haul.

In the Tehran Declaration the two sides affirmed that "only an equitable, pluralistic and cooperative international order can address effectively the challenges of our era". The Declaration welcomed a "dialogue among civilizations" as a new paradigm in international relations. It went on to "express concern over restrictions on exports to developing countries of material, equipment and technology for peaceful purposes" and reaffirmed, in that context, "the right of States to development, research, production and use of technology, material and equipment for such purposes." That was a pointed

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reference to American proliferation concerns over the nature of Iran's nuclear programme, particularly at the Bushehr plant and the assistance provided by Russia and China.

Interestingly, the 2003 Delhi Declaration retained the oblique reference to US restrictive endeavours despite the open American resistance to the Russian involvement in Bushehr. The timing of the Declaration added to its significance as the US was enhancing its military build-up in Iran's neighbourhood for an attack on Iraq. Additionally, President Khatami was on a visit as the Chief Guest at the Indian Republic Day parade – the highest honour accorded to a visiting dignitary.

The Tehran Declaration castigated terrorism "in all its forms", condemning "states that aid, abet and directly support international terrorism", in a barely veiled reference to Pakistan. The Delhi Declaration registered India's unhappiness at the Western indulgence of Pakistan, stating that "combat against international terrorism should not be based on double standards." It called upon the two states to broaden their strategic collaboration in third countries – a clear reference to Afghanistan. Sea-lane control and security, joint naval exercises, Indian assistance to Iran in upgrading its Russia-made defence systems and joint working groups on counterterrorism and counter-narcotics were envisioned.

In sum, the Declarations suggested a "strategic convergence" on terrorism, Central Asia, Afghanistan and a possibility of strengthening non-America-oriented linkages (with the inclusion of Russia). Importantly, the Declarations "recognize that their growing strategic convergence needs to be underpinned with a strong economic relationship" and called on "business communities of the two countries to harness each other's strength for mutual benefit and promote bilateral trade and investment." To facilitate that, they focused on two projects – the establishment of the North-South corridor that purports to link India, Iran and Russia and the Iran-Pakistan-India gas pipeline that is yet to see fruition.

The 2005–6 Annual Report of India's Ministry of External Affairs claimed that Indo-Iranian cooperation had "acquired a strategic dimension flourishing in the fields of energy, trade and commerce, information technology and transit."

### **Votes of Disengagement**

In June 2004, US President George W. Bush and India's Prime Minister Atal

Behari Vajpayee signed the “Next Step for Strategic Partnership” after a series of talks between the two countries. Several more agreements followed tying the two into a global partnership. The “New Framework for the US-India Defense Relationship” created and institutionalized a Defence Policy Group consisting of the senior leadership of the defence establishments of the two countries in June 2005.

During Prime Minister Manmohan Singh’s visit to Washington in July 2005, a historic “India-US Joint Statement” was signed. It resolved to establish a US-India “global partnership” through increased cooperation on economic issues, on energy and the environment, on democracy and development, on non-proliferation and security, and on high technology and space. It tied the two into a “Global Democracy Initiative” in countries that seek such assistance, institutions and resources that strengthen the foundations that make democracies credible and effective. They committed themselves to strengthen democratic practices and capacities and contribute to the new UN Democracy Fund. The US enthusiasm for democratizing the Arab/Islamic world was the larger context within which the understanding was reached. Prime Minister Manmohan Singh noted, however, that India would not be pressured into taking a stand on Iran: “We will do what is right for the country. India’s national interest is the prime concern whether it is domestic or foreign policy.”

On 2 March 2006, the US President and the Indian Prime Minister signed the “Civil Nuclear Cooperation Agreement” during the former’s visit to India. The Agreement was drafted and firmly anchored in the US Hyde Act. It states that while exporting nuclear fuel or technology to India, the US has to abide by the following: The American President will report and certify annually to the US Congress if India’s foreign policy is “congruent to that of the US” and more specifically on India joining the US efforts in isolating and even sanctioning Iran. According to Section 3 (b4):

... Secure India’s full and active participation in United States efforts to dissuade, isolate, and, if necessary, sanction and contain Iran for its efforts to acquire weapons of mass destruction, including a nuclear weapons capability (including the capability to enrich or process nuclear materials), and the means to deliver weapons of mass destruction.

The advisory in the Hyde Act points to specific issues that the US wants India to do: sign up the FMCT (Fissile Material Cut-off Treaty), the PSI (Proliferation Security Initiative), the Wassenaar Arrangement, and so on. Violation of these agreements would lead to suspension of the Agreement.

There is no ambiguity about the applicability of the Hyde Act: one, it is a national law and binding on the US administration; and two, the Agreement states that the parties “shall implement this agreement in accordance with the respective applicable treaties, national laws, regulations, and license requirements concerning the use of nuclear energy for peaceful purposes.”

In September 2005, India voted in line with the US position on the Iranian nuclear issue at a meeting of the IAEA (International Atomic Energy Agency). The initial reaction from Iran was not very harsh. Iran decided not to infer too much from India's vote and reacted amicably. The Iranian leader Ali Larijani, Secretary of the Supreme National Security Council (SNSC), said that “friends are not judged through one vote.” The Left in India was more forthright in denouncing the vote: “The stark truth is that India, in an unconscionable step, has ranged itself with the US and the Western powers and broken ranks with the non-aligned countries.”

After a second vote in February 2006, with India again voting for it, the Iranian nuclear file was sent to the UN Security Council. Even as Russia, China and members of the non-aligned movement abstained from voting, the repeated Indian votes sent out a signal of a rethink in India's policy towards the Gulf in general and Iran in particular.

India asserted that the vote against Iran should not hamper its ties with Iran. The government clarified that “the vote in favour of the Resolution should not be interpreted as in any way detracting from the traditionally close and friendly relations we enjoy with Iran.” The Prime Minister reaffirmed that “India's vote on the IAEA resolution does not, in any way, detract from the traditionally close and friendly relations we are privileged to enjoy with Iran. We intend to further strengthen and expand our multifaceted ties with Iran to mutual benefit.”

The visit of King Abdullah of Saudi Arabia as the official guest at the Republic Day parade in January 2006 marked a definite shift in India's Gulf policy. The “Delhi Declaration” signed on that occasion identified terrorism and energy security as two strategic issues. On energy security, it reiterated the two sides' resolve to develop a strategic partnership based on complementarities and interdependence. Within a month of the King's visit and barely ten days after the second vote at the IAEA, the Indian Minister of State for External Affairs, E. Ahmad, visited Tehran in an obvious exercise in “balancing” vis-à-vis Saudi Arabia and repairing some of the damage of the votes at the IAEA.

### **A Brief Moment of Re-engagement**

The Minister for External Affairs, Pranab Mukherjee, visited Iran in February 2007. It was the first visit by a senior minister after a gap of fifteen months. The Minister for External Affairs, Natwar Singh, had paid a visit in September 2005, just before India cast its first anti-Iran vote.

Mukherjee's visit evoked much interest in the media and raised expectations of a re-engagement. However, the Annual Report, 2007, of the Ministry of External Affairs dismissed the event in two sentences of officialese: "The External Affairs Minister, Shri Pranab Mukherjee, visited Iran on 6–7 February 2007. Views were exchanged on regional and bilateral issues between the two countries."

On the nuclear issue, Mukherjee repeated the official Indian position in Tehran:

Like any other country, Iran too has the right to carry on a peaceful civilian nuclear energy programme. They are a signatory to the NPT, so they have certain obligations under that treaty. Therefore our position is that the issue should be resolved through dialogue. It cannot be resolved through coercive methods.

He said that it was important for the Iranian leadership to keep international opinion in view, particularly the IAEA. "Our advice is that there should not be any further escalation of tension." A senior Indian official accompanying Mukherjee in Tehran, speaking in the background had this to say: "Quite frankly, there are too many players with their finger in this already and we are not really into mediation. This is something the two principals really have to sort out for themselves." India had consciously chosen to keep out of the Iranian nuclear issue, according to this briefing.

On economic issues, Mukherjee asserted that the UN Security Council resolution on sanctioning Iran did not cover any of India's current cooperation with that country. Back home, he said again that "When I was in Tehran, I had categorically mentioned that we are interested in having this [Iran-Pakistan-India] pipeline."

### **Issues and Challenges since Re-engagement**

*Nuclear Issue:* In early 2007, after Mukherjee's visit, India seemed to have changed gear to a proactive role on the nuclear matter. On 21 January, an Israeli TecSAR spy satellite was launched from Sriharikota. Its camera and

imaging systems are far advanced than the Israeli Ofeq spy satellites, producing images of greater clarity and precision. It allows imaging during the night or during fog, rain or snow. Its cameras have an optical resolution of 1m and it boasts a range of operational modes. The Israeli newspaper *Haaretz* posted its analysis of the launch on its website, which said that the launch would allow the satellite photographic angles and reception of Iranian communications, which were unavailable in prior satellite launches. That would boost intelligence gathering capabilities regarding Iran, it added.

Even as the Indian government justified the launch on technical and commercial grounds, the Iranian Ambassador in New Delhi publicly expressed his regret, adding that the issue could be considered from the political point of view also.

A decision like this could only have been made at the highest level in India. Its significance can only be understood within the context of the Israeli policies and pronouncements on the Iranian nuclear issue. And its repercussions would be felt in future.

*Military Matters:* A Memorandum of Understanding (MoU) on Defence Cooperation had been signed between the two countries in 2001. There were unconfirmed reports at that time that India would become a source of conventional military equipment and spare parts, would provide expertise in electronics and telecommunications, simulations for ships and submarines, midlife service, refitting and upgrades for fighters, warships, T2 tanks, armoured personnel carriers, MiG 29 fighters, and so on. Combat training for missile boat crews was also to be undertaken. There were further reports of a bilateral accord that would permit India to access Iranian military bases in the event of a war with Pakistan. This accord allegedly would also permit India to rapidly deploy troops and surveillance platforms as well as military equipment in Iran during times of crisis with Pakistan. None of these reports was ever substantiated or implemented.

In May 2007, a letter was sent by the US legislators to the Indian Prime Minister asking that India's ties with Iran be kept on the backburner. The letter was prompted by reports of Iranian naval ships having visited the port of Kochi for "training". Explaining the episode, the Indian Defence Minister, A.K. Antony, informed Parliament that the Indian Navy was training five Iranian sailors in its facilities.

US government sources, on the other hand, sought to discount the significance of the episode. The Under-Secretary of State for Political Affairs, R. Nicholas Burns, addressed this issue at a presentation on the US-India

Civilian Nuclear Deal at the Carnegie Endowment for International Peace. Burns claimed that the exercise was little more than a few hundred Iranian naval cadets playing volleyball with Indians.

The US Assistant Secretary of State for South Asia, Richard Boucher, also sought to downplay the report and the Congressional concerns. "I think some of the fears are exaggerated. Some of the training it turns out to be cadet level; some of the exchanges don't lead to a lot." Reacting to Boucher's statement, Antony told reporters that India's relations with the US and Iran were independent of each other. "India has very friendly relations with Iran. It will continue to do so. India's friendship will not come in the way of good relations with any other country." Beyond this one-off incident, the situation on the ground remained unclear.

*Economy and Energy:* The Indian Ministry of Commerce and Industries put the Indian exports to Iran at \$1853.17 million and its imports from Iran at \$11,540.85 million in 2009–10. Since the country-wise oil figures are left out of the government statistics, it is difficult to decipher the exact state of energy ties between India and Iran. According to general estimates, the Iranian oil supply constitutes between 8 and 14 per cent of imported oil in India.

The Iran-Pakistan-India gas pipeline project has been the centrepiece of energy cooperation between India and Iran for the past two decades. It has also been the most controversial and long-winding effort that is dead, but not buried.

In 2005, the two countries signed major deals on oil and gas. A preliminary agreement estimated at \$40 billion committed India to import LNG (liquefied natural gas) and develop Iranian oilfields and a gas field. ONGC Videsh Limited (OVL) would help in developing the oilfields in exchange for 90,000 barrels per day (b/d) of crude. India would also import 7.5 million tons of LNG starting 2009 for a period of twenty-five years. India would pay \$1.2 plus 0.065 of Brent crude average, with an upper ceiling of \$31 per barrel. Iran would ship 5 million tons of LNG annually, with a provision to increase the quantity to 7.5 million. OVL would get 20 per cent share in the development of onshore oilfield Yadavaran, which translates into 60,000 b/d. China would retain its 50 per cent share in Yadavaran. Iran's share would go down to 20 per cent and India would acquire the rest of the 30 per cent. India also acquired a 100 per cent right in the Juffair oilfield that is estimated to yield 300,000 b/d. The oil deal of August 2005 has remained on paper.

In 2011 the India-Iran economic ties came under a darker cloud due to the US sanctions on Iran. The Reserve Bank of India barred Indian companies from using the Asian Clearing Union to process current account transactions for oil and gas imports.<sup>1</sup> The move came after US President Barack Obama's visit to India and was seen as Indian compliance to the American wishes. The decision affected Indian energy imports from Iran. Indian customers accumulated debts of some \$5 billion in the first half of the year. India has since paid off the debts through Turkey's state-owned Halkbank but that conduit remains vulnerable if Washington applies more pressure on Ankara to shut it down.

In February, Iran and India reached an agreement under which India would pay for 45 per cent of the oil in Indian rupees, with the rest to be settled through a barter arrangement in goods and services. More recently, India has quietly but steadily cut imports of Iranian crude to secure a sanctions waiver from Washington. The reductions in imports are believed to be nearly half the volume compared to last year. After the European Union sanctions came into effect on 1 July, the Indian government withdrew the cost, insurance and freight (CIF) cover for the domestic ships carrying Iranian crude. It also banned the US-sanctioned Iranian ships from entering Indian waters. The US has imposed sanctions on the National Iranian Tanker Company and its fifty-eight vessels.

*Sound-bytes and SAARC:* In March 2007, Iran, together with China, Japan, South Korea and the US were accepted as observers in SAARC.

In September, the Indian Foreign Secretary Shivshankar Menon visited Tehran. "New Delhi is prepared to develop its relations with Iran not only in South-West Asia but also in all other important and strategic areas ... India is interested in establishing a strategic partnership with Iran in the areas of energy, transport and security", he declared. Reciprocating the intentions, the Iranian Foreign Minister Manouchehr Mottaki said, "We should not let any foreign power to harm existing ties between the two countries."

In 2008, President Mahmoud Ahmadinejad made his first maiden visit to India. It was, in fact, a routine refuelling stopover as Ahmadinejad was returning home from Sri Lanka; and it lasted precious six hours. In July 2009, Prime Minister Manmohan Singh congratulated the Iranian President on his re-election, thus showing first signs of rapprochement.

In November 2009, Foreign Minister Manoucherhr Mottaki visited New Delhi. The visit came only a day before the Indian Prime Minister was to visit Washington. In February 2010, Foreign Secretary Nirupama Rao paid a two-

day visit to Iran. In September 2011, Singh met Ahmadinejad on the sidelines of the UN General Assembly meeting and was reported to have accepted “in principle” the invitation of Ahmadinejad to visit Iran. In November 2011, the Speaker of the Indian Lower House, Meira Kumar, visited Iran, met the Iranian President and showed India’s willingness to bolster bilateral ties. Observing that the current century was the Asian century, she called for collaboration between the two countries to enhance stability and increase security in the region.

*Afghanistan and Beyond:* Afghanistan is the epicentre of global politics today. Tomorrow, it will decide the fate of peace in the region and define its contours. India and Iran share a commonality of interests in Afghanistan. In the past, between 1996 and 2001, the two have cooperated in supporting the Afghan ruling coalition against the Pakistan-backed Taliban. Today, they have a common stake in the stability of the country and are investing in its reconstruction to that end. A failed Afghanistan could lead to a failed state of Pakistan, threatening the stability of the entire region – a scenario that is unacceptable to both India and Iran.

There are differing preferences for the future of the country. Whereas India has been primarily concerned over the prospects of resurgent Taliban making a comeback in Afghanistan, for Iran a bigger priority has been to check the expanded presence of the US in the region. While India wants the West and its forces to remain engaged in the AfPak region,<sup>2</sup> Iran has been consistent in its stance that the Western forces, especially the US, should withdraw lock, stock and barrel from both Iraq and Afghanistan.

In 2003, India, Iran and Afghanistan agreed to develop a link road connecting Afghanistan’s national highway with the Iranian port of Chabahar. India has already completed and handed over to the Afghan government the Zaranj-Delaram road linking the Afghan Garland Highway with the Iranian border, as per the tripartite agreement. Today, much of the Indian goods bound for Afghanistan are shipped and transported via Chabahar. Apart from facilitating the movement of goods, Chabahar is of immense strategic importance, as it is located at a distance of 72 km from Pakistan’s China-built port of Gwadar. It is closer to the Indian shores than Bandar Abbas, which is far more congested.

The Indian reach to Afghanistan, as also the Indian connectivity beyond Afghanistan into Central Asia, is through Iran. In April 1995, India entered into a tripartite agreement to reach out to Central Asia, when it signed an MoU with Iran and Turkmenistan regarding trade and transit whereby goods could be transited from India to Central Asia and vice versa. The Mashhad-Sarakhs-



Tejen railway was completed in 1996. In February 1997, the three countries signed a transport agreement under which goods could be sent by ship from India to Bandar Abbas and from there taken by train to Mashhad and further to the Iranian border town of Sarakhs. At Sarakhs, the rails would be changed to fit the Soviet-era gauge of the railway track. The Turkmen town of Tejen onwards, all Central Asian states are connected to the Soviet system. Now all the Central Asian states have joined the agreement.

In the present circumstances, Iran is the only gateway to Afghanistan and beyond. India has immense stakes to retrieve the region's markets as also to access large reserves of oil and gas that it needs for its development.

### **What Next?**

In August this year, Prime Minister Manmohan Singh participated in the Non-Aligned Movement Summit held in Tehran. It was not a state visit, but it did provide a venue for a meeting between him and the Iranian Supreme Leader Ayatollah Ali Khamenei and a meeting between him and President Ahmadinejad. It had a positive demonstrative impact on the two countries' bilateral relations, although it is too early to measure the fallout on the ground.

India-Iran relations have come under sustained scrutiny in recent years. They are understood variously; and to that extent, there are differing expectations of their direction and durability. In view of the US confrontation with Iran, most analyses of India's bilateral ties with Iran take on board a third variable; that is the US. Hence, most of them attempt trilateral explanations of Iran-US-India ties.

India-Iran relations reached dizzying heights and saw steep slides in the post-cold war period. The Indian end of the equation steadily moved from one end, reaching close to the other end of the spectrum. No bilateral relationship is immune to developments beyond the two countries. India-Iran relations, likewise, reflect changing realities on the ground over the years.

The bilateral relations are susceptible to influences from outside players as well. No country, however powerful, can formulate and implement its policy toward another in a total vacuum. India's Iran policy, as also its total foreign policy, reflects its domestic and external concerns and compulsions. India's need to secure its interests and broaden its options is unexceptionable. However, abstaining on Iran's nuclear issue and declining to launch the Israeli spy satellite to monitor the Iranian territory would have been well within India's interests and the external expectations.

A covert war has been going on between the US-Israel on the one hand and Iran on the other for many years now. What if there is a military confrontation between them? The Hyde Act requires Indian foreign policy to be “in congruence” with US foreign policy; especially to dissuade, isolate, sanction and contain Iran for its efforts to acquire weapons of mass destruction. What next?

**Notes:**

<sup>1</sup> The Asian Clearing Union was set up in the 1970s by the United Nations to ease commerce among Asian nations. There have been allegations in recent years that Iran might be using the Clearing Union to handle transactions so as to avoid limitations imposed by European and other banks.

<sup>2</sup> The term was coined by Richard Holbrooke, the former Special Representative for Afghanistan and Pakistan. According to him, “AfPak, as in Afghanistan and Pakistan. This is not just an effort to save syllables. It is an attempt to indicate and imprint in our DNA the fact that there is one theatre of war, straddling an ill-defined border.”

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## ***India can Play a Stabilizing Role in the Region***

Arvind Gupta\*

### **Introduction**

A new geopolitical situation is emerging in West Asia and the Gulf region. The developments in the Arab world – dubbed as Arab Spring – are promising to bring a major shake-up in the political and economic situation of the Arab countries. Arab youths have come out in tens of thousands on the streets protesting against the autocratic and repressive regimes in their countries. Peaceful protests have often turned violent. Tunisia, Morocco, Yemen and Libya have seen a change of regimes. Bahrain has witnessed demonstrations which were suppressed with the help of Saudi troops. Iran saw massive street protests in 2009 after the presidential elections. Syria, which is fast becoming a theatre of regional rivalries and sectarian conflict, is in the grip of a serious civil war that has already claimed more than 30,000 lives. The Muslim Brotherhood, suppressed and marginalized till recently by the regime of Hosni Mubarak in Egypt, has come to power through the first ever democratically held elections. It may take several years and much violence before the Arab revolution is completed. The turmoil and change in the Arab world will continue for the foreseeable future. Changes in this region can have an impact on the neighbouring region of Central Asia as well.

The balance of power in the West Asia-Gulf region is also being transformed with the emergence of Iran as a major power and the deepening of several contradictions, such as the struggle for supremacy between Iran and Saudi Arabia, the sharpening of sectarian conflicts, and the rise of tensions between Iran and Israel. These changes are accompanied by trends such as the rise of Islamic forces to power and the expansion of the influence of extremist organizations like al Qaeda on the Arabian Peninsula.

India cannot but be affected by these changes. India's overwhelming energy dependence on the Gulf, the presence of large Indian Diaspora there, deepening trade and investment ties in the region, and growing remittances are some of the factors which make the region crucial to India's prosperity and even domestic stability.

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India's relations with Iran have to be seen against the wider backdrop of the emerging geopolitical landscape. There is more than an even chance that India may, willy-nilly, get involved in the happenings in the region. The evacuation of nearly 20,000 Indians from Libya in 2011 is a case in point. Equally important is the Indian naval presence in the Gulf of Aden to protect ships against piracy. India must be prepared to ensure that its vital political, economic and security interests are safeguarded and that it contributes to the security and stability of the region. It cannot expect to remain a disinterested spectator: it must develop the necessary instruments of a proactive foreign and security policy for the region.

Iran is a major power in the Gulf: to be sustainable, any durable regional security architecture will need to include Iran. Iran controls the entry and exit to the Strait of Hormuz through which vast amounts of crude oil pass. Uninterrupted oil supplies from the Gulf are important for India and the world economy in general. A military attack on Iran can interfere with the safety of oil supplies through the Strait. Military conflict in the Gulf can lead to a massive rise in global oil prices, adversely affecting the global economy.

Iran's nuclear programme is one of the most intractable international security issues. Iran denies that it is pursuing a nuclear weapon programme, but a series of IAEA reports are at best ambiguous. The 5+1 (the five permanent members of the UN Security Council plus Germany) talks have not yielded results. It is unlikely that international pressure on Iran will relent anytime soon and that sanctions will be relaxed.

In recent years, the Iran-Saudi rivalry has sharpened. Both are vying for regional supremacy. Although there have been contacts between them at the highest levels, the tensions are palpable. Iran is deeply feared in the Gulf and the relations between the GCC (Gulf Cooperation Council) and Iran are tense and unpredictable. The onset of Arab Spring has also made the monarchies and sheikhdoms in the Gulf feel vulnerable. The GCC countries see the emergence of a nuclear Shia Iran as a hugely destabilizing force.

Another development of great import is the accentuation of sectarian faultiness in the region. Iran characterizes the Arab Spring as "Islamic awakening". Iran and now Iraq are major Shia forces in the region. There are substantial Shia populations in the Gulf countries, including Saudi Arabia and Bahrain. The Shias feel discriminated against in these countries and are susceptible to Iranian overtures. The Sunni-ruled states with Shia-majority populations fear that Iran will provoke the Shia populations to revolt against them.

Iran-Israel tensions, currently at their peak, have the potential to destabilize the region. Iran describes Israel as its enemy number one. Israel sees nuclear Iran as an existential threat and continues to hint at the military option to stop Iran's nuclear programme. Iran's resolve to take countermeasures increases correspondingly. Iran's support for Hamas and Hizbullah is seen by Israel with deep concern. Iran forcefully asserts that there was no such thing as holocaust (the genocidal killing of Jews by the Nazis). Israel resents this strongly.

The ongoing civil war in Syria has exacerbated the situation in the region. Iran supports the Assad regime: the Gulf states are bent upon dislodging it at any cost. The Iran-Saudi rivalry is playing out fully in the Syrian conflict. The GCC, Turkey and the Western countries are openly supporting the rebels and calling for regime change in Syria. Syria is becoming an arena for the struggle for supremacy between Iran and the GCC.

Notwithstanding the strong anti-US public sentiment in the region, the US remains a security provider to the Gulf states. Iran sees the huge US military presence in the region with deep suspicion. Afghanistan also depends upon US troops for its security and is likely to rely on US security help after 2014. Iran does not want to see US troops in Afghanistan. Right now Iran does not figure in the Western calculations about Afghanistan. As the US troop withdrawal begins, the role of Iran in Afghanistan's stability will increase.

The internal situation in Iran is also precarious. Its economy is said to be "under incredible strain". After the street protests in 2009, this is the second serious crisis for the Iranian regime. The rial, Iran's currency, fell to a record low in the first week of October against the US dollar. According to media reports, the rial has lost 80 per cent of its value since the end of 2011. Iran's oil exports have also been falling due to sanctions and payment issues. In 2011 Iran earned US\$ 100 billion by selling 2.5 million barrels daily (mbd) of crude. Iran's economy is suffering, with oil revenues projected to be around \$67 billion in 2012 as against \$100 billion in 2011. Crude exports have dropped by some 28 per cent in April 2012, from 2.5 mbd in 2011 to 1.2–1.8 mbd, causing losses of around \$10 billion. Inflation also is running high. EU sanctions are also biting: (i) the EU has stopped new petroleum import contracts with Iran; (ii) EU sanctions also include a ban on the provision of insurance and reinsurance by European insurers to Iran and Iranian-owned companies; (iii) EU sanctions are now targeting Iranian shipping. It is reported that only 980 vessels called at Iranian ports in the first nine months of 2012 as compared to 2740 port calls in the corresponding period in 2011.

The citizens of Iran came out on the streets in October 2012 protesting against the increasing inflation and devaluation of the currency. The industrial sector has been severely affected by the sanctions-imposed import restrictions. The government has banned media reporting on the economic crisis. At the Luxembourg Meeting on 15 October 2012 the EU governments decided to tighten the sanctions further by approving new measures against Iran's banking sector, industry and shipping. The EU states have been prohibited from selling metals and graphites to Iran, which are crucial for Iran's steel-making industries. The EU will also ban imports of LNG (liquefied natural gas) from Iran.

Internally in Iran, President Ahmadinejad's relations with the Supreme Leader are tense. Nevertheless, some experts opine that the Iranian economy is unlikely to collapse as a result of the current economic crisis and that the current external pressure will change Iran's nuclear policy. Leon Panetta, the US Secretary of Defence, himself has acknowledged in a media interview that sanctions are unlikely to convince Iran to curb its nuclear ambitions. In other words, the Islamic Revolution is intact, although the government is under pressure to perform.

Its current predicaments have not diluted Iran's role in regional security. Iran's regional foreign policy is remarkably pragmatic: it is generally aimed at enhancing relations with the Islamic world and with the regional countries. Iran has a robust indigenous defence production industry and a strong domestic industrial base. Iran's political influence in the light of the new developments in the region has increased. Its major foreign policy challenge is to overcome its current isolation: for this, Iran is pursuing a policy of boosting its engagement with the Asian, Latin American and African countries. It will be chairman of the Non-Aligned Movement for the next three years. On the regional front, Iran wants to see Iraq unified; but wants to ensure that Iraq does not pose a military threat to it.

Against the new geopolitical and geo-economic realities the Iranian leadership considers that the most viable approach for it is to become an indispensable regional player. Iran has carved an important role for itself in the region during 2005–2010. It has substantial relations with Iraq, Syria, Lebanon and Afghanistan. It is a major supplier of energy. Iran also has an important role to play in Central Asia along the Caspian Sea and Afghanistan. Essentially, Iran's key motive has been to undercut the United States' ability and contain it. Its geographical size, energy resources, and political clout in the Shia crescent provide its regime the opportunity to play a significant role.

The implications of Iran going nuclear will be both regional and global. A nuclear Iran will change the regional balance. The NPT regime will unravel. Countries like Egypt and Saudi Arabia may also decide to go nuclear. Will it lead to regional deterrence which will stabilize the region? Some academics like Kenneth Waltz have argued that a nuclear Iran will bring stability in the region.

US policy vis-à-vis Iran is based on the following parameters: (i) a nuclear Iran will change the prevailing balance of power in the region; (ii) protecting its energy heartland for its friends and allies continues to be the United States' major objective in the Gulf region; (iii) ensuring the security of Israel will remain one of its major foreign policy agendas in West Asia; and (iv) Saudi Arabia is a country whose interests the US administration would want to secure at any cost. In the future, the US administration would want to engage Iran, but it will be extremely difficult for any US President to ignore the strong anti-Iran lobby in the US Congress, with its strong pro-Israel lobby.

### **India and Iran**

For India, Iran's relevance lies in its geographic location and size, as a source of crude oil, and its status as the world's largest Shia-Muslim-majority state. India's Shia Muslims, who constitute a large segment of its population, make pilgrimages to Iran and Iraq in large numbers. Iran can also provide an alternative route to India for trade and commerce with the Central Asian states. Iran also can be pivotal in a number of regional configurations, mainly in the Persian Gulf, Afghanistan and the Caspian Basin area.

In recent years, India and Iran have made conscious efforts to take their bilateral relations to a higher level. Prime Minister Atal Behari Vajpayee visited Iran in 2001. President Khatami visited India and was the chief guest at the Republic Day function in January 2003. The national security councils of the two countries meet regularly. A joint working group on defence cooperation has also been set up. In the field of commerce, India, Iran and Pakistan agreed to build a gas pipeline (IPI) running from Iran to India. The two countries also negotiated a contract for supply of LNG to India. The relations began to cool off after India voted at the IAEA against Iran in September 2005. The IPI pipeline, which was the centrepiece of India-Iran relations ten years ago, is now a dead letter. Neither have imports of LNG from Iran materialized. Instead, India, to Iran's anguish, has plumped for the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline. In the last few years a lot has changed in Tehran and in the region. These changes have had

an adverse impact on India-Iran relations. On the surface, a number of visits have taken place; joint economic commissions have met regularly; ministers have exchanged visits frequently. But no major progress in bilateral relations has been witnessed. Even though the official statements are warm on bilateral relations, coolness has crept in.

Several reasons may be cited to explain the current stagnation in India-Iran relations. The Iranians have viewed with concern the growing warmth between India and the US, and between India and Israel. Iran is under tremendous pressure from the US on the nuclear programme. The Iranians see the US presence in Afghanistan as detrimental to their security whereas India is neither opposed to the US presence nor is it against reconciliation with the Taliban. The Iranians believe that India has compromised on its independent foreign policy by voting against Iran repeatedly at the IAEA.

For India, improving relations with the US is central to its foreign policy. India cannot allow any country, including Iran, to dictate its relations with the US. India has time and again clarified to Iran that it wants improvement in bilateral relations but not at the cost of relations with other countries. On Iran's nuclear programme, India has made it clear that Iran has the right to peaceful uses of nuclear energy but it should also meet its obligations under the NPT, of which it is a member. On sanctions, India has said that Iran would have to abide by UN sanctions but it is opposed to unilateral sanctions imposed by some countries. India is also opposed to military action against Iran. The Iranians have appreciated India's principled stand on sanctions but they are disappointed at India's stand on the nuclear issue.

The ground situation is that Indian imports of crude oil from Iran have been steadily decreasing. Indian companies, which have business across the globe including in the US, have been reluctant to displease the US and have, therefore, curtailed their exports of refined oil to Iran. The severe payment problems arising out of the fact that most banks are unable to deal with Iranian banks due to the sanctions, have adversely affected bilateral trade. Many of these factors are not in India's control.

In the light of new developments, India has committed to cut its oil imports from Iran to about 310,000 barrels per day (b/d). India is now importing only 9 per cent of its oil imports from Iran, compared to 13 per cent in 2011. It has asked Saudi Arabia to provide it 100,000 b/d. It is paying for Iranian oil through Turkish Halkbank. Iran has agreed to receive payment in rupees up to 45 per cent through the Kolkata-based UCO Bank and the rest through Halkbank. The two countries have also agreed to increase the basket of Indian exports to Iran to correct the huge trade imbalance which is in



Iran's favour. Moreover, India's Finance Ministry has agreed to exempt Indian importers from paying 40 per cent withholding tax required for purchasing crude from Iran, thus making imports cheaper. On the issue of insurance, the option to set up an Indian protection and indemnity club with government insurance companies is being considered at least for dealing with Iran. India-Iran bilateral trade is currently about \$15.9 billion (2011–12) but is likely to decline as India reduces its oil imports from Iran.

For India, connectivity to Central Asia via Iran has been an important element of its foreign policy for several years. The development of Chabahar port, the International North South Trade Corridor (INSTC) and connection with Zaranj-Delaram road in Afghanistan are important for India. None of this has happened although there is some positive movement following the Indian Prime Minister's visit to Tehran in August 2012. Iran has been insisting that India should invest in building infrastructure in Iran if it wants connectivity. Indian companies are not keen on this, because of the problems arising out of the sanctions.

In the light of these ground realities, what should India do in terms of its Iran policy?

First, Indian policy will have to be autonomous and balanced. It should be geared towards maximizing its national interests, taking advantage of new opportunities and working within its means.

Second, India's Iran policy cannot be independent of its policy towards the GCC, West Asia and relations with the US. Domestic factors – India's large Shia population, economic and energy security concerns, socio-economic stability arising out of the deepening linkages between Indian states and the Gulf – also need to be taken into account. India should look to formulate an integrated policy towards the region and not follow an aggregate of individual policies. The elements of such a policy would be:

*Security:* India cannot be immune to the worsening security scenario in the region. It should have regular dialogue with Iran and the GCC countries as well as the US on security issues. It should encourage the evolution of an inclusive security architecture in the region. India must clarify to the countries concerned that it has legitimate security interests in the region.

*Energy:* India's energy dependence upon the Gulf countries for the foreseeable future will continue and may even increase. To analyse India's policy options in West Asia it is critical to examine India's energy scenario. Its energy use may more than double by 2030 to the equivalent of 833 million tonnes of oil. India's oil imports are expected to account for 90 per cent of its requirement

by 2030, up from 75 per cent at present. Similarly, India's demand for natural gas for the non-power sector alone is expected to increase from 120 million cubic metres a day (mcmd) to 391 mcmd by 2025. Such a scenario does not leave any option for India but to focus on West Asia. Today, Saudi Arabia supplies 14,049.15 million tonnes (mt) of crude oil followed by Iran, which caters for 10,193.27 mt. Earlier, Iran accounted for 12 per cent of India's oil imports but now it has come down to 9 per cent. The UAE supplies 5448.84 mt of oil. Therefore, India must have durable and suitable energy ties with all countries, including Iran and the GCC. India should revive its ties with Iraq, which is now entering into the global market with large oil production and may fulfil India's additional energy needs. Therefore India must resist the Western pressures to cut off its energy ties with Iran.

*Diaspora:* Related to the energy issue are the Indian diaspora in the region. On a conservative estimate, there are 6.3 million Indian citizens in the region, who remitted about \$35 billion to their home country in 2010. Their security and safety is paramount for India. India will find it very difficult to evacuate stranded Indians in case a large-scale conflict breaks out in the region. Therefore, India must argue in favour of avoiding military conflicts in the region. Furthermore, India should persuade the Gulf countries to grant better treatment to Indians working in the region. Indian pilgrims to Iran must also be looked after well.

*Connectivity:* India should not hesitate to invest in Iran to build rail, road and other infrastructure which would provide connectivity to Central Asia. India should take a leadership role in realizing the potential of INSTC as well as building up the Zaranj-Delaram road and connectivity between Iran and Afghanistan.

*Trade and Investment:* India-GCC trade is \$120 billion; India-Iran trade is about \$15 billion. There is a large potential for increasing this volume. Further, the Gulf states are rich. Gulf sovereign funds have surplus funds for investment. India-GCC trade is the largest of India's trade with any region. India should seek to attract investment from the Gulf in Indian infrastructure.

Many analysts argue that India's policy has become pro-West at the expense of its traditional relationships. The fact is that India's policy cannot and should not remain static and mired in nostalgia when there have been tectonic shifts in the geopolitical landscape in the region and globally too. India needs a pragmatic policy, unencumbered by predetermined ideology. That pragmatism demands that Indian policy must be on the principle of strategic autonomy.

It is time for India to reshape its policies towards West Asia. India needs to have good relations with all countries in the Gulf, including the GCC and Iran. In addition, it needs to formulate a fresh policy approach towards Turkey and Egypt in particular. Egypt is being reborn. The Muslim Brotherhood is now in power. Turkey's influence in the region under its pro-Islamic party has increased tremendously. Turkey has sought to play a constructive role on the Iranian nuclear issue. The future of West Asian political and security developments is going to hinge considerably on the role that Iran, Saudi Arabia, Turkey and Iraq will play. As mentioned earlier, Iran continues to be a significant partner of India which has to be engaged.

India-Iran relations are passing through a rough patch. Yet, Iran's importance for India will remain. Prime Minister Manmohan Singh's visit to Tehran in August 2012 for the Non-Aligned Summit was followed by bilateral talks with the Supreme Leader and the President. The two countries agreed to enhance the quality of their bilateral relations. Iran after a long time has agreed to the opening of an Indian cultural centre in its territory. The two sides have also agreed to develop the Chabahar port. The visit was long overdue. President Ahmadinejad had made a stopover in New Delhi for a few hours in 2008 on his way back from Sri Lanka. Since then the Iranians had been pressing for the Indian Prime Minister's visit to their country. It took four years for the Indian Prime Minister to pay a visit to Tehran. The Iranian leadership would be mollified by the Prime Minister's visit and it is hoped that the visit would give a timely shot to a sagging relationship which is otherwise a strategic relationship. No doubt, the West and the Israel will see it with some concern. They should realize, however, that India can play a stabilizing role in the region by having good relations with all sides and by avoiding zero-sum diplomacy. Iran on its part should also shed its excessive suspicion about India's ties with the West. Iran will gain by having good ties with India.



## ***India would have to Support UN-Sanctioned Operations***

Vijay Sakhuja \*

The contemporary international political and security discourse has targeted Iran for its alleged military nuclear ambitions. Tehran has argued that its nuclear programme is only for peaceful purposes and has voluntarily opened its nuclear facilities to international inspectors. The US-led Western powers, including Israel, have repeatedly dismissed these assurances. They have succeeded in having resolutions passed against Iran in the UN Security Council and imposed economic sanctions on that country. Further, Israel has threatened pre-emptive strikes against Iran's nuclear infrastructure. Meanwhile, the Tehran Declaration document, released at the summit of the Non-Aligned Movement in August 2012, has endorsed "Iran's right to peaceful nuclear energy".

Iran has threatened that in case of an attack on its territory it would strike at US interests in the Gulf region; it would also mine the Strait of Hormuz and block international shipping. Iran has repeatedly conducted military and naval manoeuvres and threatened neutral shipping carrying vital energy cargo to international markets. It has often shadowed US naval assets in the Gulf area and raised the ante by strongly asserting its determination to protect its interests.

The UN sanctions, the international pressure to stop Iran's global economic and energy transactions, and the ongoing military standoff in the Gulf have put a number of Asian countries, including China, Japan, Republic of Korea and India and the EU member states in an "energy dilemma".

New Delhi voted against Iran in the IAEA in 2005, 2006 and 2009 and urged Iran to positively respond to international concerns and "observe its obligations under the treaty [NPT] and must take the international community's and the IAEA's views into consideration." So far India has supported and adhered to the UN sanctions on Iran but its attempts to find ways to continue its economic engagements, particularly its energy supplies through barter trade and payments through other banking systems, have not fructified due to international pressures, including international shipping charters refusing to transport oil from Iran.

New Delhi's concerns also arise from a possible closure of the Strait of Hormuz. Imports of energy from the Gulf region account for 12–13 per cent

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of its requirements. Although Saudi Arabia has assured India of additional supply of oil after the US sanctions on Iran and the UAE has commissioned a pipeline that discharges at terminals in the Indian Ocean, thereby overcoming the Hormuz dilemma, India's energy security remains hostage to the safety and security of shipping passing through the Strait.

### **Iran's Geo-strategic Significance**

The Gulf region may be described as an "energy lake": it is estimated to contain 674 billion barrels of oil (40 per cent of global reserves) and 1923 trillion cubic feet of gas (35 per cent of global reserves) and can potentially meet nearly 32 per cent of the global demand. Iran lies at the heart of this "energy lake". Iran itself is the second-largest producer of oil after Saudi Arabia. Nearly 88 per cent of Saudi and 98 per cent Iraqi oil is exported through the Strait.

About 16–17 million barrels of oil is transported through the Strait of Hormuz daily. On an average 20–30 tankers enter the Persian Gulf each day, and during peak hours, one tanker leaves the Strait every six minutes. Likewise, a large volume of shipping enters the Gulf waters, bringing in essential commodities for the Gulf countries. Besides, a number of ports in the Gulf serve as transshipment points for global container traffic.

Iran is also a gateway for the landlocked Afghanistan, Central Asian Republics (CAR) and Russia through the Caspian Sea. The ports of Bandar Abbas and Chabahar serve as warm water hubs for the CARs and Afghanistan.

### **Iran and India's Energy Security**

Iran's energy resource reserves are estimated to be 151.2 billion barrels of oil (15 per cent of global oil reserves) and 33.1 trillion cubic feet of reserves of gas. Its major customers are China, Japan, Republic of Korea and India. India imports nearly 75 per cent of its energy needs and Iran is the second-largest supplier (350,000–400,000 barrels per day) after Saudi Arabia. The two countries account for nearly 58 per cent of India's annual consumption of 163.59 million tons of crude oil. These supplies transit through the Strait of Hormuz. The US sanctions now dictate that importers of Iranian crude reduce these purchases or prepare for penalties.

### **Infrastructure Projects**

India and Iran are also working together to develop infrastructure for connectivity with CARs and Russia. India-Iran cooperation in port development was discussed in 2000 in the context of the International North South Transport Corridor (INSTC), a project involving India, Iran and Russia. This multimodal project envisaged a road, rail and sea network from Iran to Russia, i.e. Bandar Abbas-Bandar Anzali (Caspian Sea) through Rasht-Astara (Azerbaijan)-Saint Petersburg (Russia), and also to Turkey. The INSTC project is also referred to in India's "Connect Central Asia" policy unveiled in 2012.

The development of the Chabahar port located along the Makaran coast has been on the India-Iran discussion agenda since 2003. Iran has completed the first phase of development of the port and is awaiting Indian investment in the project. India has announced that it may invest up to \$100 million for a number of sub-projects such as development of a container terminal and a multi-purpose cargo berth on BOT (build-operate-transfer) basis. The project is expected to be executed through public-private partnership (PPP).

Afghanistan has joined the project. Afghanistan, India and Iran had a trilateral meeting in August 2012 for this purpose. Afghanistan's interest in the project is meant to reduce overdependence on the Karachi port in Pakistan. Chabahar would be connected by road to Zahedan, Afghanistan, which will connect it to the India-built 600 km network. This project is expected to expand trade, investments and transit facilities for the CARs. A US spokesperson has observed, approvingly, that the agreement would assist in regional trade and commerce.

### **Irano-Hind Shipping Co.**

However, the ongoing Iran-US standoff and the anti-Iran sanctions have adversely affected the five-decades-old India-Iran joint venture shipping company. In 1974, the two countries established the Irano-Hind Shipping Co. jointly owned by the Shipping Corporation of India (SCI, 49 per cent) and the Islamic Republic of Iran Shipping Lines (51 per cent). Shah Reza Pahlavi was in power in Iran at the time and Indira Gandhi was the Prime Minister of India. The joint venture survived the tumultuous period of the 1979 Islamic Revolution and its aftermath. But the ongoing US sanctions have forced the company to split its assets. According to the chairman of the SCI, "Irano-Hind will cease operation ... Charters don't want to take vessels which are under sanctions, and

the company is having difficulty deploying the vessels ...”.

### **Iran-China Geopolitical and Geostrategic Dynamics**

Beijing has assiduously cultivated ties with Tehran in the form of energy imports and military sales. China also supports Iran through its veto whenever Iran is under US pressure and scrutiny by the UN Security Council. China has explicitly acknowledged “the geo-political permanence of Iran as a pivotal power in the Middle East”. Several Chinese companies have entered into long-term contracts with Iranian oil companies for supply of oil and gas.

Iran's constant assertions of its regional power ambitions suit China's interest in challenging US supremacy in the Gulf region. This also serves as a strategic distraction, keeping the US partly focused in the Gulf region to support its alliance partners who are perennially concerned about Iran's assertiveness and threat of closure of the Strait of Hormuz.

China also has vital stakes in Iran's military modernization. It has supported Iran's missile development programme, including sale of missiles and associated systems. In the early years, China supplied the Silkworm missiles and later the C-802, which has a range of over 100 km. Iran's indigenously developed Noor missile is based on the C-802. It has been mounted on trucks and deployed as coastal batteries along the Iranian coast. There are reports that Iran may have deployed these missiles on some of its islands as well. The C-802 has a reputation for accuracy: this was demonstrated in 2006 when the Hizbullah successfully fired the missile against the Israeli naval ship *INS Hanit*. It is suspected that Iran has transferred the C 802 to Hizbullah and Iranian technicians may have been involved in the actual firing. Both China and Iran are under US sanctions for military technology. The two countries' collaboration aids China's energy security and economic and commercial investments in Iran.

At another level, China has partially managed to steer the agenda of the Shanghai Cooperation Organization (SCO) and leverage the organization “across the Central Asian region into the Middle East through a maze of energy and trade partnerships”. It has brought Iran into the SCO as an observer and seeks to link with its energy resources over land routes.

### **Regional Security and Iran's Nuclear Ambitions**

The GCC countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the

UAE) are particularly anxious about Iran's nuclear capability as adversely affecting the regional balance of power. Iran in its turn has identified Israel's nuclear and missile capability as the primary threat to its regional leadership role and also its unstated ambition to acquire nuclear weapon capability. The former Saudi intelligence chief, Turki bin Faisal al Saud, has noted that "If our efforts, and the efforts of the world community, fail to convince Israel to shed its weapons of mass destruction and to prevent Iran from obtaining similar weapons, we must, as a duty to our country and people, look into all options we are given, including obtaining these weapons ourselves."

In this context, the need to establish a Middle East Nuclear Weapons Free Zone (MENWFZ) encompassing all League of Arab states, Iran and Israel, was first proposed in 1974 by Iran and was supported by Egypt. Israel has argued that so long as all countries in the region do not publicly recognize and accept it as an integral part of the region, it cannot think of being part of the NWFZ. Interestingly, 64 per cent Israeli Jews favour the concept. The May 2010 review meeting of the Nuclear Non-Proliferation Treaty (NPT) has called for a UN-sponsored conference, to be held in Helsinki in December 2012, to be attended by all states, to establish a nuclear-free Middle East, an initiative that currently appears quite ambitious. However, the Iranian representative attending the preliminary meeting of the MENWFZ conference in Moscow on 5 October 2012 has stated that "Despite the current complicated situation in the region, we are still supporting the idea of the Middle East nuclear weapon free zone."

There have also been calls to include Afghanistan, Pakistan (non-signatory to NPT) and Turkey (NATO member with nuclear sharing arrangements) to be part of the MENWFZ. It is plausible that Pakistan, in the long run, may come under pressure to sign the NPT; after all, it received enormous moral and fiscal support from some Gulf countries for the "Islamic Bomb".

### **Regional Security and Possible Politico-Strategic Alliance Dynamics**

There are various factors that affect regional security and can potentially impact on India. These are: (a) unstable political relationship between Iran and the GCC countries; (b) near-continuous threat of military intervention in Iran by external powers such as the US, Israel and the European Union; (c) use of nuclear weapons against Iran by external powers; (d) Iran's determination to respond to external intervention through retaliatory strikes against US interests in the Gulf; (e) Iran blocking the Strait of Hormuz; (f )



regional and extra-regional naval build-up; and (g) impact of military intervention on global energy supplies.

The dynamics of alliances and coalitions that may emerge in the ongoing US–Iran imbroglio would be driven by a number of variables. The primacy of the regional energy resources and global energy demands will drive the geo-economic considerations. The geopolitical and geostrategic variables will be driven by Iran's ability to leverage Russia and China against the US-led Western powers, the alliance dynamics of the US with the littoral powers and vice versa, and patterns of intervention. Iran would gravitate towards powers that sympathize with it and the latter would try to leverage Iran to further their national interests. A number of plausible scenarios emerge.

*Russia-China-Iran:* Although Russia and China voted against Iran in the UN Security Council, they can be expected to support Iran in the event of an attack by the US or Israel. This would be a robust response to the anti-US alliance in the Gulf region and could potentially deter the economic and strategic supremacy of the US and its Western partners.

*Israel-US-EU:* This alliance would emerge as a pre-emptive and coercive strategy. This could result in a counterattack by Iran on US assets in the region and an accelerated WMD and missile programme.

*US-GCC:* Such an alliance would be based on pragmatism, keeping in mind that Iran is a neighbour and any confrontation between Iran and the US-led Western coalition would adversely impact on the region and their economies. These states can therefore be expected to encourage diplomatic strategies.

*India-US-Israel:* Although India enjoys strategic partnership with both the US and Israel pivoting on a host of convergent issues such as intelligence sharing, counter-WMD proliferation and counterterrorism, defence technology cooperation, trade and economic cooperation, the partnership would be symbolic. New Delhi's interests can be expected to be driven by the enduring India-Iran relations as also its relations with the Arab nations.

*China-Iran-North Korea:* This would be a sequel to an attack on Iran by the US-led coalition. North Korea, known for its unpredictable political regimes with strong anti-US posturing, can be expected to gravitate towards Iran and China. The latter has on numerous occasions leveraged North Korea as a brinkmanship actor. Iran too would fit the role of a brinkmanship actor and leverage the strong anti-US sentiments to its advantage.

*China-Iran-Pakistan:* Pakistan serves as a corridor of connectivity through the Karakoram Highway linking Xinjiang-Pakistan onward to Iran for access

to the Gulf. The recent decision by Pakistan to hand over the operations of the Gwadar port to a Chinese company would facilitate a seamless land-based corridor, reducing a part of China's supply chain insecurity through the Indian Ocean.

### **Regional Security and Operational Dynamics**

The operational dynamics in the Gulf region are shaped by the regional militaries and by extra-regional powers that have forward-deployed their forces in the region to provide security cover based on a host of alliance agreements and arrangements. The contending powers employ competitive and cooperative security strategies to establish their ascendancy in the region. Two sets of contending groupings, i.e. Iran vs GCC and Iran vs US-led coalition including GCC members are easily discernible.

Regionally, Iran is militarily the most powerful. The Iranian military capability includes an assortment of land, sea and air platforms. These may not be very sophisticated, but can present a major challenge to any powerful military such as the US. For instance, the Iranian navy has adopted a sea-control strategy against the GCC countries and prefers an asymmetric strategy against the US. Besides Iran's conventional capability, the GCC countries must contend with an array of short- and medium-range missiles that are capable of hitting most of the land, littoral and offshore installations, particularly the oil and gas infrastructure.

In 2000, the GCC members signed a mutual defence pact, and a collective defence arrangement was agreed that envisages that "Interference from any entity in the internal affairs of one of the member-states is interference in the internal affairs of all the nations of the council." The GCC has formulated a military doctrine and in 1982 established the Peninsula Shield Force (PSF). The PSF has about 30,000 troops; a small standing force is always ready at Hafr al-Batin. The GCC has also established an Air Warfare Centre at Al Dhafrah Air Base, a missile defence simulation centre at Hafr al-Batin Air Base in cooperation with the US, and an information-sharing centre in Bahrain.

The US presence in the Gulf region is built around the Central Command (CENTCOM). Its area of responsibility includes twenty countries of the Middle East excluding Israel, Central Asia, South Asia (Afghanistan and Pakistan), the Red Sea, Gulf waters and the western portion of the Indian Ocean. The US Fifth Fleet is headquartered in Bahrain and hosts a number of sophisticated naval platforms, including aircraft carriers, submarines and other expeditionary

platforms that call at ports in the Gulf region regularly. The Combined Task Force 59 (CTF 59), a special unit dedicated to responding to humanitarian and other emergencies, such as oil spills and evacuations, is also located in Bahrain.

France and the UAE signed an agreement in 2008 to station the French defence forces at Abu Dhabi. There are nearly 100 soldiers, 57 airmen, 3 Mirage 2000-5 jet fighters and 72 naval personnel who support the French Navy units that visit Port Zayed. Reportedly, this deployment is targeted against Iran and also to complement US forces in the Gulf.

### **Concluding Remarks**

India has on several occasions “affirmed that a nuclear Iran is not in its strategic interests”. At the same time, it has termed Israel’s plan to strike Iran’s nuclear infrastructure as “unacceptable international behaviour”.

Any confrontation between the US and Iran or any attack by Iran on international shipping in the Persian Gulf can significantly raise the insurance premiums, resulting in the oil prices skyrocketing. It would also result in several Asian and European countries forward-deploying their forces in the Gulf region to protect their energy supply chains. The Indian Navy would be required to escort Indian-flagged vessels carrying critical cargo heading for Indian ports. As a policy, India has avoided joining any coalition/alliance targeted against any country, but would have to support and participate in UN-sanctioned operations.

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## ***Flexible and Pragmatic Bilateralism is the Best Approach***

Ishrat Aziz\*

Complexities in India's engagement with Iran arise from the complications that exist in relations between Iran and the US, the GCC countries, Israel, and to some extent the European Union. Bilaterally India does not have any significant problem with Iran, nor with the US, GCC countries or Israel. But before grappling with the nature of the complexities in managing India's relations with Iran, it would put things in perspective if we keep certain facts in mind.

Iran is a major country in terms of geographical area and population, eighteenth in the world in both respects. Its area is over 1.6 million km<sup>2</sup> (about half of India) and its population is about 79 million according to the latest estimates. It is strategically located on the Straits of Hormuz, vital for the Gulf countries and the world because 20 per cent of the world's oil and 70 per cent of India's oil imports must pass through this vulnerable and narrow waterway. Apart from 10 per cent of the world's oil reserves and 15 per cent of the world's gas Iran also has significant amounts of freshwater, arable land and mineral resources – coal, chromium, copper, iron ore, manganese, zinc and sulphur.

Iranians are very conscious of their ancient history. Proud of their culture and the beauty of their language and poetry they have a strong sense of nationalism. The martyrdom of Imam Hussein about 1400 years ago is a part of the Iranian psyche. Once inspired, they can make great sacrifices for their cause, as was exemplified during the uprising against the Shah and the eight-year war against Iraq. There are many shrines in Iran which are places of pilgrimage for Shias from around the world.

In view of the frequent references to Shia/Sunni divide since the 1979 Iranian Revolution, for the sake of perspective it may be underlined here that until about AD 1500 Iran was a Sunni and not a Shia country. The Safavid rulers adopted Shia Islam as the state religion about five hundred years ago and with time Iran became overwhelmingly Shia. This decision of the Safavid kings should be seen in the context of Iran's increasing rivalry at that time with Sunni Ottoman Turkey. So some thinking and caution is required before laying too much emphasis on the Shia/Sunni divide at the expense of strategic

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considerations in analysing the dynamics of the present relations between the countries of the region, especially between Saudi Arabia and Iran.

One thing should be constantly kept in view. In terms of population and natural resources Iran is better placed than any other country in the area to emerge as the most significant power of the region. Other large countries in that area, for example Egypt and Turkey, can match it in terms of population but not in natural resources, especially oil and gas, which can earn foreign exchange required for economic growth.

Since the complexities of India's engagement with Iran are mainly a result of the existing difficult relations between Iran and the US, Israel and GCC countries, it would help if we have a look at the prevailing state of Iran's relations with these countries.

### **Iran-United States Relations**

More than any other factor it is relations between Iran and the US and their ramifications that complicate India's engagement with Iran.

While attention is currently focused on the dispute between the two sides over Iran's nuclear programme, the roots of tensions between them go much deeper. Both sides have mutual grievances. The US has still not consigned to history the ouster of its most reliable ally the Shah, and even more the taking hostage of its diplomats and their incarceration for 444 days, by people still active in Iran and wielding power. Superpowers are often conscious of the wider message that overlooking of such defiance of their power will convey to other countries. Then there are lobbies within the United States, including the Israeli lobby, which do not want reconciliation, and hope for a regime change in Iran one day, not unlike as in the case of Cuba.

Many Iranians on their part are still angry with US support to the brutal regime of the Shah as well as its support to Saddam for imposing a long and horrendously bloody eight-year war on Iran. US role in the ouster of Mossadegh's elected government and restoration of the Shah to power in 1953 are all part of the bitter historical memory of Iranians, making them suspicious of US intentions.

But there are deeper problems between the US and Iran. As a large country, endowed with resources, Iran wants to attain its full regional status and follow an independent foreign policy. This is not acceptable to the US and its protégés in the region. Iran on the other hand is not willing to accept limitations on its pursuit of this goal, which it considers essential for its security, based on its

historical experience of the great game played by Tsarist Russia and Britain in the nineteenth century, when the two imperial powers divided a weak Iran into their respective spheres of influence.

### **Iran-Israel Relations**

The existing tension and hostility between Iran and Israel also add to India's complexities in managing its relations with Iran, especially since Israel has strong backing of the US.

Israel and Iran under the Shah had very close relations. There was a strong mutuality of interests between the two regimes. For the Shah Israel was a valuable ally in his dealings with Arab countries, especially the republican regimes of Egypt, Iraq and Syria. For Israel it was very reassuring to have as a friend a powerful country, on the other side of its neighbours, which happened to be Muslim as well. Friendly relations of both countries with the US further cemented their relationship. Israel's close relations with the Shah, and Mossad's cooperation with SAVAK, the Shah's hated intelligence agency, were deeply resented by the Iranian people, a bitter memory that still lingers.

Everything, of course, changed with the Iranian revolution in 1979 and rupture of relations between the two sides. The new Iranian leadership, for reasons of its own, adopted a stridently anti-Israel and pro-Palestinian stance. This approach enhanced its appeal amongst the Arab masses, which of course was its aim. Iran also strengthened its diplomatic leverage in the region by supporting Syria, Shia factions in Lebanon and Hizbullah in south Lebanon, Hamas and radical Palestinian groups. All these assets for Iran, especially Hizbullah, create security concerns for Israel.

One thing needs to be emphasized, clearly understood and constantly kept in view: the problems between Iran and Israel are not ideological but strategic. Because of Israel's circumstances its national security doctrine is based on the premise that it must remain the unchallenged and unchallengeable power in the region, and all emerging threats to this must be pre-empted. Iran on the other hand believes that for its security it must attain its full regional stature by optimizing its power potential. This of course is mainly due to its regional security environment but also partly due to its historical memories of the kind of treatment it received at the hands of outside powers when it was weak.

Perceptive Israelis know that currently the only country on the horizon that can neutralize their overwhelming military superiority in the region is Iran. Indeed, many Israelis would have preferred if in 2003, of the three

“axes of evil” powers, Iran had been dealt with first, rather than the sanctions-emasculated Iraq. But Bush for his own reasons had his own priorities. The national security doctrine of Israel, to be the unchallenged and unchallengeable power in the region, and Iran’s own goal to be a power that can effectively deal with any threat to its security from any country in the area, cannot be reconciled except through a comprehensive Middle East peace settlement.

### **Relations with GCC Countries**

The problems between Iran and the GCC countries arise fundamentally from the asymmetry between their size and that of Iran. Iran has a population that is three times the size of the six GCC countries combined. With arable land, freshwater and other mineral resources, Iran also has the potential for a more diversified and stronger economy than the GCC countries.

One hears a lot about the Shia/Sunni divide in the context of the difficult relationship between the GCC countries – especially Saudi Arabia – and Iran. This divide is more a red herring. The real issues between the two sides are strategic. One hardly heard of the Shia/Sunni divide when the Shah was in power and Iran and the GCC countries had close relations with the US. Despite close relations with Israel, Iran was a founding member of the Organization of Islamic Conference (OIC). It may be recalled here that the three islands in the Gulf, claimed by the United Arab Emirates, were taken over by Iran in 1971, during the Shah’s time. The sectarian card has been played by the parties concerned for their strategic goals.

Fully understanding the realities of power, the GCC countries have long maintained close relations with the US and Western countries like the UK and France for their security. For the GCC countries, the possible scenario of Iran attaining its full regional stature – and they view Iran’s nuclear programme from this angle – is a matter of security concern, which makes them feel uncomfortable and vulnerable. The GCC countries’ need for strong relations with the US, including its military presence in the region, is unacceptable to Iran, because it makes Iran feel insecure. This adds to the complexity of managing India’s relations with Iran.

### **Iran and India**

Iran is an important country for India geo-strategically and economically. For India the most cost-effective access to Central Asia and Afghanistan is through

Iran. Iran is a neighbour of India's neighbour Pakistan. Given the nature and history of India's relations with Pakistan and its present state, the importance of Iran in this context is obvious. India has a significant Shia population, probably about 25 million, which is the third-largest in any country after Iran and Pakistan. But currently the most important reason for Iran's importance to India is that it is a critically important country in a vitally important region – vital for India and the world.

The world's energy need, which is overwhelmingly dependent on oil and gas, is increasing inexorably, while India's need is galloping at about 4–5 per cent per annum. With 65 per cent of the world's oil and 40 per cent of the world's gas, the importance of the Gulf for India's energy needs is obvious.

Any adventurist gamble in the Gulf against Iran, producing a military crisis and conflict, will have an immediate and a huge economic impact globally. For India the adverse consequences of a military crisis in the region will be particularly hard. India's dependence on the Gulf for its energy needs is more critical than that of any other country. The inevitable oil price spike that such a crisis in the region will produce will cost India tens of millions of dollars more for its oil imports, which already swallows over 33 per cent of its export earnings. India's oil bill for 2011–12 is reported to have been about \$140 billion. Moreover, no other country has 6 million expatriates living and working in the Gulf.

As was said at the beginning, India does not have bilateral problems with any of the parties involved in the growing tensions in the Gulf: the US, Israel, GCC countries and Iran. In fact with all of them individually India has growing beneficial bilateral exchanges.

### **Complexities of Engagement**

We can consider the complexities in India's engagement with Iran under four headings:

- a) Iran's nuclear programme
- b) Sanctions against Iran
- c) Israel/Iran tensions
- d) Gulf security

These issues are closely linked, but for the sake of clarity they will be dealt with individually.



### **Iran's Nuclear Programme**

With regard to Iran's nuclear programme, a number of questions arise: What is the nature of Iran's nuclear programme? What is the evidence that Iran is on its way to becoming a nuclear weapon state? Currently at what stage is Iran's nuclear programme? Is Iran observing its commitments to the IAEA and conforming to its obligations under the NPT, to which it is a signatory, as well as its undertakings under the Additional Protocol? And finally: what should be India's approach to Iran's nuclear programme?

Iran has repeatedly declared that its nuclear programme is peaceful. It has given plausible arguments about why it needs this programme and to develop indigenous technology for this purpose. In the 1970s when Iran was under the Shah, the West had bought these arguments and agreed to supply six nuclear reactors to that country. The Shah's declared goal then was 23 reactors to produce 23,000 megawatts of power. The Shah described petroleum as a "noble product too valuable to burn" and wanted to conserve Iran's oil reserves for better use. Those arguments are no more acceptable to the West.

There is no evidence that Iran's nuclear programme has gone beyond the stage of being peaceful. Till very recently the US assessment has been that development of nuclear weapons by Iran is not imminent. For India, taking everything into account, the best approach would be that "we believe the word of a friend unless the contrary is proved". As is well known, 93 per cent enrichment produces weapon-grade uranium. For peaceful purposes, enrichment up to 20 per cent is required. Has Iran gone beyond 20 per cent enrichment? There is no evidence to that effect. Under the NPT a country can enrich uranium for peaceful purposes. The apprehension that once it has mastered the enrichment technology it may use it for producing weapons takes the issue into the realm of conjecture.

The sources making claims about Iran's nuclear programme being weapon oriented are the same as had claimed that Saddam's Iraq had weapons of mass destruction, along with facilities to make them. It subsequently turned out that intelligence had been deliberately misinterpreted to justify an attack on Iraq and removal of Saddam. These sources, which have not been able to substantiate their claims, therefore lack credibility.

Even if we accept for argument sake that Iran's nuclear programme is oriented towards weapon production, what is the best way to deal with it? Iran learnt lessons from Israel taking out Saddam's Osirak nuclear reactor by an air attack in 1981. It has dispersed its nuclear technology development sites and has also buried them deep underground. It is unlikely that conventional

air strikes can take them out. Also, air strikes against Iran, successful or unsuccessful, will have far-reaching consequences for the region, the US, the world and Israel itself.

In the balance, honest diplomacy is the best approach to Iran's nuclear programme. As regards Iran observing its obligations under the NPT and its commitments to the IAEA under the Additional Protocol, there have been some infractions but there is no evidence of serious violations. Iran has basically been cooperating with the IAEA in its monitoring of its (Iran's) nuclear programme.

In this matter, India needs to be circumspect. Its immediate neighbours, with whom it has a common border and bilateral problems, and whose possession of nuclear weapons matters to it greatly, already have nuclear arsenals. With Iran, India neither has a common border nor bilateral problems. India also has its long-term interests with Iran.

### **Sanctions against Iran**

Because of perceptions about Iran's nuclear programme, the UN Security Council has slapped six sanctions against that country between 2006 and 2010. The EU has adopted its own sanctions. Bilateral sanctions have been imposed by Australia, Canada, Japan, South Korea and Switzerland. But it is the stiff US sanctions that are biting Iran economically and are causing problems for India's oil purchases from that country. India's difficulties are especially because of the US sanctions against Iranian financial institutions. India imports about \$12 billion worth of oil from Iran and exports only \$2 billion worth of goods and services. The Iranian banking channels having been frozen by the US, it becomes difficult for India to pay the trade deficit. If a country can export enough to match its imports – China, for example, does not have a negative trade balance with Iran – there is no real problem.

### **Israel-Iran Tensions**

India has relations with both Iran and Israel. It needs to make it clear to both of them that it wants its relations with them to be bilateral, without preconditions or restrictions, because they impinge on its sovereign right to take its own decisions.

India does not come under any significant pressure from Iran as to its ties with Israel or any other country. The same cannot be said about Israel.

Additionally, the US sanctions against Iran are serving Israel's purpose.

Comparatively, Iran has greater geo-strategic significance for India than Israel. India gets some sophisticated technologies from Israel, but India's need for them will end when it will have developed its own technologies to replace them. But India's need for energy is on a much larger scale, and of a much longer-term nature. India's trade with Israel is about \$6 billion, while its trade with Iran is \$14 billion, including \$12 billion worth of oil imports.

The potential for expansion of India's economic relations with Iran is also much greater than with Israel, because of the difference in their size – Israel with a population of 8 million versus Iran's 79 million. There is quality in India's relationship with Israel, but quantity is definitely on the side of Iran.

In its dealings with both countries, India needs to follow a balanced policy, dictated by the balance of its interests. India's policy decisions on specific issues cannot be straitjacketed in advance: they will have to be based on the circumstances and merits of the case at hand.

### **Gulf Security**

Peace and stability in the Gulf are vital for India. The region is only 1600 km away from its shores. India has 6 million of its citizens living and working there. And perhaps the most important consideration, 70 per cent of its oil imports are from that region. The total value of India's economic relationship with that area, including remittances (about \$30 billion), trade and oil purchases, is about \$130 billion. This is India's largest economic relationship with any country or region. There are more flights from India to the Gulf – because of the huge Indian expatriate population there – than to the rest of the world.

For peace and security in the Gulf, a truly regional security arrangement, taking into account the genuine security concerns of all stakeholders, is required. The problem in working out such a regional security structure is that the six GCC countries together are one-third of Iran in terms of population. Excluding Saudi Arabia the other five GCC countries have a total local population of only about 6.5 million.

It is this asymmetry which is at the heart of the problem of regional Gulf security; but without a regional Gulf security arrangement, external involvement in the region's security will continue, with all the accompanying problems. The GCC countries feel vulnerable without external security guarantees. Saddam's occupation of Kuwait in 1990, and his eviction by US forces, showed the vulnerability of these countries and the nature of security

arrangements they need for their protection. Iran on the other hand finds outside presence in the Gulf suffocating and a threat to its own security.

A regional Gulf security arrangement is an unrealistic idea without a solution to the Arab-Israel problem, however difficult it may be to achieve. Without a solution to the Palestinian problem and full acceptance by the Arab countries of the reality of Israel, the latter will continue to feel existentially threatened and will continue to adhere to the security doctrine of being the unchallenged and unchallengeable power of the region. This poses security concerns for countries like Iran, which will do everything to redress this military imbalance.

Iran's increasing strength and power potential discomfit the smaller countries in the immediate neighbourhood, leading them to seek outside strategic relationships for their own security. The outside powers naturally pursue their own interests, which may not necessarily be congruent with the interests of the countries of the region. An example of this is the Second Iraq War of 2003: the countries in the region, apprehending its disastrous consequences, did not really want it, but Bush had the power to override them.

The Arab-Israel dispute has cascaded many problems and crises into the region. One of these is oil price fluctuations, which have cost the world dear. The quadrupling of oil price after the 1973 Middle East War, for example, had a huge adverse impact on the global economy and was a serious blow to India's economy.

### **India's Options**

While the ideal solution to Gulf insecurities is a part of the solution to the Arab-Israel problem, India can meanwhile constructively engage with the region. Engagement with Iran has to be a part of India's engagement with all countries of the Gulf as well as the US and Israel.

Some general principles may be stated here how India should act; specific decisions on specific issues can be taken, whenever they arise, in consonance with these general principles:

- a) Emphasize bilateralism in its engagement with all countries of the region.
- b) Consistently make it clear that taking sides is not an option for India. Equally consistently, reject outright the assertion that "if you are not with us you are against us".

- c) Consistently and bilaterally engage with all countries of the Gulf, mainly GCC countries, Iran and Iraq for peace, security and stability of the region.

As regards Iran's nuclear programme, at every forum – whether the IAEA, UN Security Council or anywhere else – India's position must reflect its approach based on its interests which, carefully considered, are in consonance with the real interests of the people of the region.

Iran should abide by its own commitments to the IAEA, NPT and Additional Protocol. Claims that Iran is violating them must be supported by credible evidence. The first forum to deliberate on any issue about Iran's nuclear programme should be the IAEA; it should go to the UN Security Council only after the IAEA has come to a clear conclusion. Bypassing the IAEA would damage the credibility of both the IAEA and the UN Security Council.

India should emphasize multilateralism in dealing with any problems arising from Iran's nuclear programme. The phrase "coalition of the willing", which was employed to justify the attack on Iraq unilaterally, bypassing multilateralism, is objectively meaningless. India should emphasize that security for the Gulf should be inclusive. Exclusivity and isolation of any country will be divisive and a recipe for conflict rather than peace and stability.

India should cast its vote in the UN Security Council based on a clear and balanced calculation of the merits of the case and its self-interest, constantly bearing in mind that it has interests on all sides – Iran, the GCC countries, Israel and the US.

Bilateralism is most effectively pursued when it is combined with strength. As India progresses and gains economic strength, its diplomatic credibility will increase and countries involved in disputes will all try to strengthen bilateral ties with India. As a country of 1.2 billion people, flexible and pragmatic bilateralism is the best approach for India's broader multidimensional interests.

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