

INDIA IN IRAN'S FOREIGN POLICY IN POST COLD WAR PERIOD

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ABSTRACT

During the Cold War period, both the US and the erstwhile Soviet Union targeted Iran for its rich oil and mineral resources. "After the Second World War, the Soviet troops got stationed in Iran which started the entire conflict with the USA and the West who all wanted to exploit Iran's resources and the Azerbaijan conflict also happened. After the end of the Cold War, the Soviet forces had to be withdrawn from Iran but still the West along with the USA had its eye over Iran. Iran was critical about it and all the Oil producing countries formed an organization called OPEC for their unity and protection. Iran also joined the Non-Alignment Movement which was launched by India and from there it came into contact with India. With India's enormous natural and human resources, a growing economy and adjacency to Iran's security and strategic environment, India is considered one of the most important options with which the Islamic Republic of Iran can establish stable and reliable, if not strategic, relations.

KEYWORDS: *International Relations, Foreign Policy, India, Iran, Oil Trade, Chabahar Port*

IRAN'S OUTREACH TOWARDS INDIA

India is one of the emerging world powers and has been at the centre of Iran's attention in the years since the Iranian revolution." The country has been moving from the side-lines of world affairs to the core using its enormous human resources, vast geography and high economic growth rate. These provide adequate reasons for Iran to look at India not only as an actual trade partner but also as a potential political resort. However, India's place in the constellation of Iran's international interlocutors has not been stable and expectations for expansion of cooperation between the two sides have always exceeded the real extent of relations. This situation is better understood if Indo-Iranian ties are compared with the relations Iran has maintained with other emerging world powers, such as China and Russia. (*Middle East Review of International Affairs* March 2007, 44–45.)

SECURITY AND DEFENCE COOPERATION

Security and Defence Cooperation amongst countries play a very important role in the post-cold war period." India and Iran share an interest in maintaining a stable Central Asia and combating militant groups, including those based in Pakistan. In the last decade or so, the Indian and Iranian governments proclaimed new military ties to their domestic audiences."

Early on, the two states engaged in defence cooperation in forms that concerned Washington, including what appeared to be "nuclear, chemical, and missile-related transfers." By 2010, it was reported that Tehran continued to view Delhi as a source of assistance for servicing a variety of

Russian military hardware including MiG fighter jets, tanks, warships, and submarines." The two countries have cooperated on maritime security, including at the Indian Ocean Rim Association meeting in Chabahar. During Modi's visit to Iran, the two leaders supported regular and institutionalized consultation between their countries' national security council on security, terrorism, and organized crime. India and Iran agreed to intensify high-level engagement through frequent exchanges of official visits and meetings. Therefore, defence and diplomatic relations may be qualitatively greater than they seem. A core component of India's interests in Iran is its location. Iran can provide India access to Central Asia and Afghanistan without having to traverse China or Pakistan. Additionally, greater Indian presence in Central Asia could limit Pakistan's influence and help India compete with China's growing presence in the region. Delhi considers Tehran a significant part of its extended neighbourhood, where it aims to be perceived as a supra-regional power." (<http://www.lowyinstitute.org/publications/india-poll-2013>.)

This area stretches from the Strait of Hormuz in the west to Central Asia in the north. India's supra-regional objectives align with the country's public opinion and represent a key interest for Indian policymakers. Also, an Indian presence or strategic influence in Central Asia would help deny Pakistan strategic depth and allow Delhi to compete with China's growing regional presence.

OIL TRADE

Oil also known as Liquid Gold is a very important resource for any country in today's world. Iran finds India as a key market for its oil export." Overall, Iranian exports to

India followed the trends in oil trade, peaking in 2008 (\$13.8 billion) and 2012 (\$13.3 billion) and dropping to a low in 2015 (\$6.2 billion). These exports included: petroleum and its products, organic and inorganic chemicals, fertilizers, plastic, edible fruit and nuts, glass, pearls, and precious and semiprecious stones.” (<http://www.worldstopexports.com/crude-oil-imports-by-country/>.)

“India is arguably one of the most energy-thirsty of all rising powers. In 2017, Iran provided 11.2 percent of India’s crude oil imports, the third-largest source after Iraq (18.6 percent) and Saudi Arabia (17.5 percent). Energy trade anchors the Indo-Iranian relationship, helping to ensure each country gives due consideration to the interests of the other. Before sanctions, Iran was India’s second-largest oil supplier. In 2006, India’s crude oil imports from Iran sat at \$4.35 billion, 10 percent of total crude oil imports. In 2008, Iranian crude oil imports grew to \$11.2 billion. However, after sanctions had been imposed, they dropped down to \$3.7 billion in 2015.”

“The U.N. and EU sanctions were lifted in January 2016 following the conclusion of the Joint Comprehensive Plan of Action (JCPOA). After this, an arrangement was reached between Delhi and Tehran to process India’s pending oil payments to Iran, unlocking \$6.4 billion in funds. India’s imports of crude oil from Iran in 2016 grew to \$6.68 billion or 11 percent of total crude oil imports. In October 2016, Iran was India’s top supplier. Indian crude oil imports from Iran from April 2016 to February 2017 averaged 542,400 barrels per day, up from between 100,000 and 150,000 a decade ago.”

ECONOMIC ENGAGEMENT

Iran is happy with the Indian Business Groups who have been important actors in advocating for more substantive ties with Iran. “The Confederation of Industry is set to open in both Tehran and New Delhi. Tehran has allowed India to set up an Information, Communication and Technology zone in Chabahar. India’s technological skills have impressed Iran to take this decision. The Central Banks of both countries are also coming together for economic cooperation. Amid U.S. sanctions, Iran is exploring ways to increase its bilateral trade with India, including expanding banking channels. “Only one bank (UCO Bank) has a business relationship with Iran. We need to expand that,” said Hamid Reza Fouladgar, head of the seven-member Parliamentary delegation from Iran that is visiting India to improve bilateral ties.” There is a need to sign free trade agreements with India to reduce customs and tariffs on both sides to improve bilateral trade, he added.

“The volume of trade between Iran and India stands between \$10 billion and \$13 billion, which have tremendous potential for improvement. “The Iranian Parliament recently

ratified an agreement to avoid double taxation between Iran and India,” he said. Iran firms can start investing in profitable ventures like Saudi Aramco is doing. Invite large industrialists from India to manufacture products in Iran, that can be bought locally and a barter system can be created. Iran is the largest producer of zinc and the second-largest producer of copper in the world.” (<http://www.presstv.com/Detail/2017/09/05/534091/Iran-India-Farzad-B-gas-field-Russia-Israel>.) The world is moving from fossil fuel to batteries operated cars, where zinc is needed. So Iran’s role is increasing in this sphere and India is looking to take advantage of Iran on this issue.

CHABAHAR PORT

The Indian-backed Chabahar port complex on Iran’s coast along the Gulf of Oman is being developed as a transportation corridor for land-locked Afghanistan. “In May 2016, India signed a deal with Iran to develop two terminals with five berths at the Shahid Beheshti area in Chabahar. Under the agreement, India would build a 600-metre (1,969 feet) cargo terminal and a 640-metre container terminal. However, only a portion of the two berths has been finished because of deteriorating relations between the United States and Iran after the election of President Donald Trump in November 2016 that culminated with the reimposition of economic sanctions last year. In December, India took over operations at part of the Shahid Beheshti port, according to a statement from the Ministry of Shipping.” (http://www.idsa.in/issuebrief/modi-visit-to-iran_msroy_160516)

“Nitin Gadkari, India’s Minister of Road Transport, met with Iran’s Foreign Minister Mohammad Javad Zarif in New Delhi. After the meeting, he said the two sides were close to resolving various issues, including over banking payment mechanisms to overcome the U.S. sanctions. “Regarding the machinery orders and others, already the financial arrangement is ready,” said Gadkari. “There are some problems but we have resolved the issue.” India has already received a shipment of corn from Brazil at Shahid Beheshti with the help of Iranian operators, Gadkari told reporters.” (Economic Times, February 6, 2017)

“India, Iran’s top oil buyer after China, will pay for crude imports in rupees to UCO Bank and Tehran will use the funds for importing goods from India. Zarif said India’s UCO Bank and Iran’s Bank Pasargad will start transactions despite the U.S. sanctions. Mohammad Amir Davoud, deputy chief executive at Bank Pasargad said his bank will open its first Indian branch in the western city of Mumbai in three to four months to facilitate transactions.” (The Diplomat, July 11, 2016) “Gadkari also said Iran had shown interest in buying rails from India and New Delhi had already placed an \$85 million machinery order for the port. Iran had shown

interest in buying rails and 250 to 300 locomotive engines from India, he said". This will benefit both countries in the long run.

CONFIDENCE BUILDING MEASURES

"India committed that it will invest up to \$500 million in a deal to develop a strategic port in Iran and both countries planned several projects they say are worth hundreds of millions of dollars. The deal and plans were announced during a visit by Indian Prime Minister Narendra Modi, the first such trip in more than a decade. India also said it will make strategic cooperation with Iran. India has reportedly handed Iran a tax break worth hundreds of millions of dollars, effectively green-lighting a crude oil import deal that had thus far been hindered by sweeping US sanctions. India, one of eight countries exempted from those sanctions for six months, has moved to pay for the oil in its currency, rupee since the main banking channels dealing with global currencies are blocked by Washington's measures." (Indian Express, June 2, 2016) Iran and India are also conducting joint military exercises and Iran is also extending its cooperation towards India through OPEC.

IRAN INDIA RELATIONS IN THE FUTURE

India and Iran have managed to foster a multifaceted relationship, anchored within a long history of cultural ties and affinity. "For India, this relationship is governed by geopolitical and economic priorities that dictate the terms of bilateral ties, including energy trade, infrastructure development, and security cooperation. These priorities are, however, complicated by conflicting partnerships, sanctions, unstable negotiations, and bureaucracy. Geopolitically, Delhi sees a strong relationship with Tehran as a useful gateway to Central Asia, a potential partnership in counterterrorism, and a means to break a strategic encirclement by China and minimize the influence of Pakistan. The development of Iran's Chabahar port is a cornerstone of this multilayered strategy. India has sought to develop the port as means to bypass Pakistan, which can facilitate access not only to Iran but also to Afghanistan and Central Asia." (ORF Commentaries, April 10, 2018) These efforts relate to India's quest to reduce Pakistani influence in Afghanistan and to combat extremist groups—a goal that happens to align with Iran. Chabahar also creates a footing for India within a string of Chinese partnerships that surround the country.

"Delhi's ties with Tehran are nevertheless balanced by India's interests in developing relations with Iran's adversaries, the United States, Israel, and some Arab Gulf states. This balance is increasingly tested by the sanctions and other diplomatic moves against Tehran. The tension was reflected in Delhi's voting along with Washington over Iran's nuclear program, though this was also underpinned by Delhi's

interest in preventing a nuclear Iran, in line with its general opposition to nuclear proliferation. Complications in India-Iran ties will only increase as India rises to great power status and its strategic interests expand to involve a larger number of foreign relationships." (*The Economist*, September 9, 2017) Similarly, Iran's amicable relations with China and Pakistan force it into its balancing act between those partners and India.

"Challenges have affected not only India's geopolitical ambitions but also its economic interests in Iran. Iran is a key energy exporter to India, as well as a potential gateway to markets in landlocked Afghanistan and Central Asia. Disputes between Delhi and Tehran have placed roadblocks in the path toward closer economic cooperation. These challenges are rooted not only in conflicting partnerships but also in what some Indian diplomats perceive as Iran's propensity to renegotiate deals, as well as India's slow-moving bureaucracy." (. Christensen, 2015) Ongoing delays in formalizing trade and investment agreements create a risk for Delhi.

"Other actors like China and Russia could gain a greater stake in infrastructure projects, such as the Chabahar port. When compounded together, these issues degrade trust between the two states. The re-election of Rouhani, as opposed to more hardline alternatives, however, bodes well for economic ties given the more confrontational approach of hardliners to trade issues, as seen with former President Ahmadinejad. Delhi had to forfeit some of its interests in Iran during U.S. and EU-led sanctions against Tehran",

Despite efforts to circumvent the sanctions, India and Iran faced challenges in processing payment of energy transactions at the height of U.S. and EU sanctions against Iran. This resulted in a drop-in trade that was only recovered when the sanctions were lifted post-JCPOA. "The United States had to some extent, up until recently, sought to respect India's interests in Iran. Former Secretary of State Rex Tillerson stated that Washington would not block legitimate business activities with Iran by India. He added that there was no contradiction between U.S.-Iran sanctions and India's development of Chabahar port. The Trump Administration's withdrawal from the JCPOA and renewal of sanctions has altered these dynamics. U.S. Ambassador to the United Nations Nikki Haley's India visit in June sought to persuade Delhi to halt Iranian oil imports by early November. Nevertheless, Washington's approach will be tempered by the U.S. need for India as means to check Chinese power and influence, which is something that American policymakers see as a far greater and more enduring threat than Iran. For their part, Iran and India will again attempt to circumvent restrictions, likely through using national currencies rather than the U.S. dollar, but the success of these strategies is yet

to be seen. European rejection of Trump's move, and U.S. interests in leveraging India to counter Chinese influence, can potentially facilitate India's ties to Iran. India will be an important part of call for consultations regarding security issues in the Middle East that involve Iran. Delhi maintains a comparatively unique position as both a long-time friend of Iran and Gulf states, whilst also cultivating a burgeoning strategic relationship with the United States and Israel. This will likely continue in the medium term, despite being shaken by the Trump administration."ⁱ Moreover, given India's importance for Iran as a market for its energy exports, American administrations, Trump and post-Trump, may seek to use "Delhi to gain negotiating leverage with Tehran on issues such as Iran's nuclear program and support for Hezbollah, Syrian President Bashar Assad, and the Houthis in Yemen."ⁱⁱ If so, India's strategic autonomy and perceived neutrality may have rewarded the country by increasing its value as a geopolitical partner.

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