

US-Iran Relations and Their Impact on India

ALOK BANSAL

One of the most difficult tasks that the Indian foreign policy-makers faced was to balance their relations with Iran while enhancing their proximity with the global superpower, the United States. By the middle of 2013, it appeared as if a confrontation between the US and Iran had become inevitable. Iran's enrichment programme and its reluctance to abide by the commitments made under the nuclear Non-Proliferation Treaty (NPT) had led to numerous economic sanctions being imposed on it. The Israeli establishment was goading the international community to act before it was too late. At the same time, it looked as if a strike on the Iranian nuclear installations was on the horizon. However, with the change in leadership in Iran, things started looking up. Newly-elected President Rouhani overcame domestic opposition to allow Iran to renegotiate with the Western powers and eventually on November 24, 2013, Iran and the five permanent members of the Security Council plus Germany (P 5+1) signed a historic deal at Geneva, which resulted in Iran rolling back parts of its nuclear programme for six months in lieu of partial relief from sanctions.¹ Although, it is a preliminary agreement, it is expected to lead to a final agreement after negotiations and could halt Iran's move towards a nuclear weapon.

The deal comes at a time when the US has realised the real dynamics of the conflict in Syria. It has seen through the Saudi machinations and has distanced itself from the Syrian rebels. It has realised that by supporting the rebels, it would eventually be supporting Al Qaeda against the last bastion of secularism in the Middle East. There has also been a realisation in the West that the ideological fuel

for Al Qaeda emanates from the land of Al Saud and most of the radical organisations are being financed by the Wahhabi charities based in Saudi Arabia. This coupled with the fact that the United States is going to be self-sufficient in the field of energy has accentuated the Saudi apprehensions. Consequently, the Saudi rulers have made their discomfort known to the Americans by giving up membership of the UN Security Council after being elected to it. They have also been trying to lobby the conservative elements in the US Congress and the Zionist lobby to impose fresh sanctions against Iran. However, there seems to be a clear attempt by the White House to move closer to Iran, while distancing itself from Saudi Arabia.

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Although it would be premature to say so at this juncture, the improvement in US-Iran relations could change the geopolitics in the Middle East. It could lead to stabilisation of Syria, initiate Shiite insurgencies in the Gulf and even result in strikes against some of the fountainheads of hatred in Saudi Arabia. More significantly, after the agreement, sanctions against Iran have been eased a bit and if a final agreement is reached, it would mean business as usual. Iran is extremely important for India. Iran lies at the crucial junction of South Asia and West Asia and also links the Central Asian Republics and the Caucasus region to the Arabian Sea. One of the oldest continuously inhabited civilisations, it forms a bridge between the Semitic world and the Indo-Aryan civilisation of South Asia and has had strong historical linkages with the Indian civilisation. Despite strong convergence, Indo-Iran relations in recent times have been affected by Iranian relations with the US.

From India's point of view, India's indifferent relations with China and Pakistan mean that Iran provides the only access to the untapped markets of Afghanistan and Central Asia for Indian goods, as well as India's only option for tapping the vast untapped energy and other mineral resources of the region. On account of its own geopolitical imperatives, it is almost mandatory for India to maintain good relations with Iran if it wants to have any role in Afghanistan or Central Asia. Iran also provides India the shortest access to the vast energy resources of the Caspian basin and the Caucasus region. The growing Indian economy not only requires the vast untapped markets of the central Eurasian landmass, but also needs newer sources of energy supplies.

Historically, the entire South Asian region has been deeply influenced by Iranian culture. Centuries of cultural interactions have made the presence of Iranian art

and architecture omnipresent across the length and breadth of South Asia. In India, cities like Lucknow and Hyderabad have emerged as the citadel of Iranian culture. Accordingly, a significant section of the population identifies itself with Iran and has a close cultural affinity with it. For five centuries prior to the British rule, the Persian language was the second language in most of South Asia. It became the language of the elite in many princely states and the medium for higher education. The Urdu language, which is the official language of Pakistan and is spoken widely across India and other countries in South Asia, is written in the Persian script and is deeply influenced by the Persian language. There are similarities between the oldest Indian scriptures, the *Vedas*, and the Iranian *Avesta*.²

Of late, however, Iran has come to symbolise the aspirations of Shias worldwide.³ Accordingly, in India, there is strong support for the Iranian viewpoint amongst the Shia clergy as well as the masses. In cities like Lucknow, this pro-Iran sentiment is clearly discernable to any observer. There are approximately 25 million Shias in India, who visit various places of pilgrimage in Iran and look up to Iran and the Iranian clergy for spiritual guidance.⁴ Besides Shias, the miniscule but economically significant Parsi (Zoroastrian) population of India has its centres of pilgrimage in Iran. It also has a small Zoroastrian minority still living there, with whom Indian Parsees have emotional bonds.

The identification of Shiite masses with Iran allows it a significant role in Afghanistan, which not only is a neighbouring country, but also has a substantial Shia population. Twelver Shias are believed to comprise 10 to 15 per cent of Afghanistan's population and a large percentage of these are Hazaras, living in the central province of Bamiyan. The puritanical aggressive Sunni ideology practised by the Taliban pitches them in a direct confrontation with the Shias of Afghanistan. This has traditionally ensured Indian and Iranian collaboration with the anti-Taliban grouping in Afghanistan, which has also been supported by the Central Asian states and Russia. Afghanistan is strategically significant for India and the establishment of a radical Taliban regime in Afghanistan hurts long-term Indian interests. As the US and North Atlantic Treaty Organisation (NATO) plan to withdraw from Afghanistan in 2014, India will be forced to collaborate with Iran and the Central Asian Republics (CARs) to stop the onward march of the Pakistan-backed Taliban.

The main contributory factor to Iran's significance continues to be its huge hydrocarbon resource, which contributes to 80 per cent of its exports. Moreover, Iran's energy resources have gained further significance with the depletion of energy resources in other oil producing states, especially those that are outside

the Organisation of Petroleum Exporting Countries (OPEC). Iran possesses 10 per cent of the world's proven oil reserves⁵ and approximately 15 per cent of the global gas reserves.⁶ Iran is globally the fourth largest producer of oil and the second largest exporter of crude oil within the OPEC. Although Iran has the second largest natural gas reserves in the world after Russia, it has not been able to exploit them optimally and its gas exports are fairly limited.⁷ Besides high domestic consumption of gas (it is estimated that Iran is the third largest consumer of natural gas), the absence of external investment and committed markets has prevented development of gas fields. It, therefore, has strong complementarities with India. Indian investment and markets can help Iran to develop its gas reserves, which, in turn, can be used to feed the growing quest for energy in India. Before the sanctions set in, Iran was the second largest source for Indian oil imports, but under US pressure, Indian imports from Iran which accounted for 17 per cent of Indian oil imports have come down to 6 per cent.

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From India's point of view, Iran's energy resources provide one of the closest and cheapest energy resources available to fuel India's growth. Accordingly, India has been looking at the North South Transport Corridor and Iran-Pakistan-India (IPI) gas pipeline to resolve its energy shortages. The IPI was proposed as a pipeline that would transport 36 billion cubic metres of gas every year from Bandar Abbas to Calcutta. Of this, 70 per cent gas was meant for India while 10 and 20 per cent were meant for Iran and Pakistan respectively.⁸ The pipeline, which can be extremely useful for India, has been ostensibly held up over the pricing of the gas, although the real impediment has been the US opposition. If conditions improve, India can look at the pipeline optimistically.

Despite huge oil reserves, Iran lacks adequate refining capacity and as against an annual consumption of 64.5 million litres of petrol, its refineries can refine only 43 million litres, which forces it to import approximately one-third of its consumption. Iran has been a major destination for the products of some Indian refineries in the private sector, which are unable to market their products locally as the petroleum products are subsidised by the government.⁹ The total trade between India and Iran in 2012-13 stood at \$ 14.955 billion, which included Indian exports of \$ 3.351 billion and imports of \$ 11.603 billion. The main goods being exported by India, besides petroleum products, are chemicals, pharmaceuticals, iron and steel, synthetic yarn, tea and

rice. However, the trade value has come down from \$ 15.968 billion in 2011-12 under sustained US pressure and the consequent problems of making payments for Iranian imports.¹⁰ The problem becomes more acute as Indian exports to Iran are miniscule as compared to its imports. In fact, to some extent, the sanctions facilitated greater Indian exports to Iran as it had to import Indian goods to balance the oil exports.

One of the most significant capabilities of Iran is its ability to disrupt maritime access to the Persian Gulf through the narrow Strait of Hormuz. The disruption of oil and gas production or its transportation through the Strait of Hormuz, would lead to a big spurt in the prices of oil and gas, which, in all probability, would create a major global economic crisis. Even if the strait is not closed, any conflict in the region could increase the global oil prices drastically.¹¹ For a developing country like India that has huge dependence on energy resources from the region, its closure or even the threat of its closure could be economically catastrophic. It needs to be appreciated that the US energy imports from the region are negligible and the European Union (EU) imports are limited.

Being the strongest country in the region, Iran has the capability to create disturbances in any of the Persian Gulf states. The presence of a substantive Shia population in most of these states further increases Iran's leverage. There is a huge Indian Diaspora in these states and a major source of foreign exchange earnings for India are the remittances sent by overseas Indians. In fact, India tops the global list of countries receiving remittances. In 2013, according to the World Bank estimates, India received \$ 71 billion in remittances and it contributed to over 3 per cent of India's Gross Domestic Product (GDP).¹² If past trends are any indicator, then over half of this amount came from Gulf Cooperation Council (GCC) states. Any disruption in this region will have a debilitating effect on this valuable source of foreign exchange for India.

In addition, 18.49 per cent of India's exports in 2012-13 were destined for the Persian Gulf states of the United Arab Emirates (UAE), Saudi Arabia, Iran, Kuwait, Oman, Iraq, Bahrain and Qatar. The UAE alone, is the second largest destination for Indian exports and in the first nine months of 2012-13, accounted for Rs.160,367.77 crore of exports. More significantly, these states accounted for over 28 per cent of India's total imports during the first nine months of 2012-13.¹³ Any disruption in the region or the blockage of the Persian Gulf will affect this huge trade adversely and also raise the costs of shipment of goods in terms of increased freightage and insurance cover.

Before 9/11, the Indian and Iranian defence forces closely cooperated with the Northern Alliance in Afghanistan to evolve a joint approach against the Taliban. Besides, Afghanistan, India and Iran have collaborated in the field of military hardware for over two decades. In 1993, Iran asked for Indian assistance to develop new batteries for its Kilo-class submarines. In addition, it requested upgrades for various Soviet origin weapons and platforms, including the MiG-29 fighter aircraft. A Memorandum of Understanding (MoU) on defence cooperation between the two countries was signed in 2001 and sale of Indian weaponry and spare parts to Iran was being considered. The two countries also carried out joint naval exercises in 2003 and 2006. Iran has also sought advanced radar systems for fire control and surveillance from Bharat Electronics Limited. However, despite enormous potential, large-scale Indian defence exports to Iran have not fructified on account of serious US pressure.¹⁴ In case the sanctions ease, the bilateral cooperation between India and Iran could increase substantially.

The issue that has drawn maximum attention on Iran in recent times is its attempt to set up a uranium enrichment facility. It does not serve India's interests to have another nuclear state in its vicinity. Iran's bomb may lead to an arms race in the Gulf. Despite the recent bonhomie between India and Iran, successive Iranian regimes have, by and large, taken an anti-India stance on Kashmir. Iran had provided material support to Pakistan during both the 1965 and 1971 Wars.

To conclude, it would not be incorrect to state that Iran's unique geography, its population and nature have bestowed upon it a unique strategic significance, making it one of the important players in the global arena. From India's perspective, good relations with Iran are an essential imperative for India's sustained growth and development. Its energy resources could easily speed up India's growth and its landmass could provide Indian manufacturers access to Central Asia and the Caucasus. On the other hand, Iran's nuclear weapons programme does pose a threat to regional and global peace. It could also irrevocably disturb the balance of power in the geostrategically significant Persian Gulf. Any disturbance in the region could adversely affect India's economic well-being. The recent accord between the West and Iran has given diplomacy a chance, although many in the West as well as in the Middle East are unhappy with it. It needs to be appreciated that the Iranians are a proud people who take pride in their glorious past and are unlikely to succumb to brute pressure being put on them.

Capt (IN) **Alok Bansal** is a Senior Fellow at CLAWS.

Notes

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