



Iran: India's Strategic Gateway

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India's relationship with Iran has been termed "complicated" at best¹. In modern history, India and Iran have mostly been in opposite camps and came together for the first time only in 1990s when they supported the Northern Alliance to fight Taliban in Afghanistan. However, Iran is now rapidly emerging as a crucial partner for India in its quest for energy security and a strategic gateway to unhindered access to Central Asia and Afghanistan. For India, connectivity to Central Asian countries is important from the point of view of its energy security and with Afghanistan for both natural gas and mineral resources.

Why is Iran so important for India now? Ever since India's relationship with Iran improved, it has predominantly been about oil and gas imports. Realising that there was a scope for security cooperation between India and Iran, the two countries established a "strategic partnership" in 2003, when Iranian President Mohammad Khatami came to New Delhi to participate in the Republic Day celebrations. Under the agreement, India had agreed to develop the Chahbahar port on Makran coast to have an indirect yet uninterrupted access to the landlocked Central Asian countries and to mineral rich Afghanistan. Access to these countries would not only ensure energy supplies but would also offer markets to Indian manufactured goods. India showed astuteness in dealing with the Chahbahar port development issue when in the joint statement that was issued in May 2013 during India's External Affairs Minister Salman Khurshid's visit to Iran, India had insisted on mentioning only Afghanistan as the main reason for the development of the

Chahbahar port to keep the American's relaxed. America is still largely opposed to any economic investment in Iran.

It is known that Pakistan denies India any access to Afghanistan via the land route as it feels jittery about a scenario where Afghanistan and India link up directly via land which happens to be the shortest route between the two countries. To overcome the Pakistani denial of direct connectivity, India has paved a route via Iran by way of constructing a road from Iran into Afghanistan [215 km-long Delaram-Zaranj highway, also known as Route 606] and is now contemplating the construction of a 900-km railway network linking Chahbahar to Hajigak to make the shipment of iron ore to India easier².

The relationship in recent times has moved beyond the traditional trade focused issues. So, what are the factors that may have given additional impetus to the relationship? India has come to understand the value of having a strategically located partner i.e. Iran in the Persian Gulf from where the energy supplies are shipped. At the same time Iran has also realised that it cannot treat every country as an adversary but needs some friends too! During the 1990's, both India and Iran backed the Northern Alliance forces that battled the Taliban for control over Afghanistan. There appears to be an indication that both are willing to cooperate again, on a strategy to help stabilize and secure Afghanistan from any possible takeover attempt by Taliban. Recently India concluded an important military deal with Russia wherein Russia would supply military equipment to Afghan Forces with India bearing the expenses for it³.

More interesting to know is how the two partners are helping each other. While India plans on using Iran as a transit junction to have access to Afghanistan and Central Asia, India has gone beyond its usual stand and supported Iran on its nuclear issue wherein Iran stresses that its nuclear program is only for peaceful purpose (nuclear energy generation). That is why India was quite pleased when Iran and P5+1 (Permanent members of UNSC and Germany) agreed on an interim nuclear deal last November. Salman Khurshid praised the implementation of the nuclear deal, which has halted Iran's nuclear enrichment program and charts the path for further negotiation. He said, "New Delhi will always support Tehran's right to use nuclear energy for peaceful purposes in line with the Non-

Proliferation Treaty (NPT)"⁴. The imposition of sanctions on Iran by world powers saw Iran slip from a position of India's second largest crude oil supplier after Saudi Arabia in 2010-2011 to the seventh slot by the end of 2012-13 as India was asked to cut down on its oil imports from Iran.

The partial relaxation in sanctions following the temporary nuclear deal has not really improved the bilateral trade and oil imports from Iran continue to decline. The US has asked India not to increase the oil shipment from Iran till mid-2014 until a final solution to the nuclear problem is arrived upon. As per the agreement, the world powers allowed Iran to maintain its oil exports at 1 million barrels a day to key buyers like India, China, Japan and South Korea. Indian oil imports from Iran have to be restricted to no more than 11 million tons a year⁵. There is a dichotomy here. For Washington, the year implies January to December, while India insists that the quota should hold good for the financial year beginning April. The US insistence on keeping the 11 million ton quota for the 2014 calendar year would mean that

India buys a total of not more than 5.5-6 million tons during January-June. India imported 36% less oil from Iran in the month of February as compared to January⁶. Due to sanctions on Iran, India had cut imports from the Persian Gulf nation from 21 million tons to about 18 million tons in 2011-12 and to 13.1 million tons in 2012-13⁷. Iran's economy, which was crumbling because of the economic sanctions, is now looking to stabilize itself by getting

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the oil payment due from India. However, due to the restrictions, the two countries are yet to agree on a new system of making payments after the existing mechanism were shut down following the imposing of sanctions. New Delhi pays 45 per cent of its Iran oil bill in rupees through a UCO Bank branch in Kolkata. For the rest, it has been waiting for Tehran to identify a viable channel for payments.

Notwithstanding these restrictions, which are probably temporary because India is also trying to manage its commitment to global nuclear non-proliferation, the relationship has continued to move in the strategic security domain. However, some American analysts warn that India's involvement and investment in Iran is "dangerous". The argument given is that India risks damaging its ties with the United States by forging closer partnership with a state that is targeted by American sanctions. A senior fellow at American Foreign Policy council warns "India that it will lose more than it will gain by forging ties with the world's most notorious state sponsor of terrorism"⁸.

How India deals with the Iranian issue will be a challenge for Indian diplomacy if the nuclear issue is not settled permanently. Other than the sanctions, India also needs to balance its diplomacy with Iran vis-à-vis Israel which is a close ally of India. Israel has got the most severe apprehension about Iran's nuclear programme and has threatened repeatedly of a pre-emptive strike to target and destroy Iranian nuclear facilities. No doubt the challenge is stiff but it also presents an opportunity where India could emerge as a peaceful link between Iran and Israel. This would most certainly enhance India's stature in the world capable of undertaking a bigger role that it has been eyeing.

(Disclaimer: The views and opinions expressed in this article are those of the author and do not necessarily reflect the position of the Centre for Air Power Studies [CAPS])

¹ Tanvi Madan, "India's Relationship with Iran: It's Complicated", The Brookings, February 28, 2014.

² Zachary Keck, "India's Afghan power play, via Iran", The Diplomat, April 4, 2013, available at <http://thediplomat.com/2013/04/indias-afghan-power-play-via-iran/>

³ Pranab Dhal Samanta, "India to pay Russia for arms, ammo it sells to Afghanistan", The Indian Express, April 18, 2014.

⁴ “India will always back Iran’s nuclear issue: FM”, PressTV, March 1, 2014, available at <http://www.presstv.com/detail/2014/03/01/352746/india-vows-support-for-iran-nissue/>

⁵ “US asks India not to increase Iran oil imports till mid-2014”, The Economic Times, March 11, 2014., available at http://articles.economictimes.indiatimes.com/2014-03-11/news/48118254_1_iran-oil-imports-world-powers-oil-exports

⁶ Kabir Taneja, “Delhi asks Tehran to provide details of funds it wants to access in India”, Sunday Guardian, March 15, 2014, available at <http://www.sunday-guardian.com/investigation/delhi-asks-tehran-to-provide-details-of-funds-it-wants-to-access-in-india>.

⁷ “Iran seeks over \$1 billion dues from India for crude oil supply”, The Economic Times, February 27, 2014, available at http://articles.economictimes.indiatimes.com/2014-02-27/news/47739675_1_iranian-oil-second-biggest-supplier-five-other-world-powers

⁸ Avi Jorisch, “Port Of Damaged Goods: India's Dangerous Investment In Iran's Chahabar”, Forbes, September 16, 2014, available at <http://www.forbes.com/sites/realspin/2013/09/16/port-of-damaged-goods-indias-dangerous-investment-in-irans-chahabar/>

