

Geo-Politics in India and Iran Strategic Cooperation

Mukhtar Ahmad Bhat¹

¹Author in IRAM, mukhtarbhat24@gmail.com
0000-0002-2159-0746

Abstract

India and Iran are relations are of centuries old and throughout the whole history their relationship has gone through many ups and downs due to the changing, domestic, regional and global situation from time to time. For instance before the British rule in India both the countries experienced a very close relationship in which both the nations enriched each other's trade, culture, art, literature, architecture, tradition and left a permanent stamp on their social, political and economic aspects. During the second half of the 20th century the incidents like emergence of Cold war, India-Pakistan wars, Iranian revolution, the decade long Iraq-Iran war and, internal political instability in India etc dominated, restricted and created hurdles in the growth of India and Iran relations. With the turn of 21th century both the countries experienced stability and tried to re-engage but the US invasion of Afghanistan and Iraq, the unveiling of Iranian nuclear program, imposition of international sanctions on Iran emerged as new challenges. No doubt the suspension and re-integration of Iran in world economy and the changing power structure in Middle East due to political turmoil on the

Submission Date: 05/07/2019

Acceptance Date: 10/09/2019

Contemporary Research in Economics and Social Sciences Vol: 3 Issue: 2 Year: 2019, pp. 325-352

one hand. The transformation from geo-politics to geo-economics in South Asia, through the Chinese Belt and Road initiative, rising Indian economy, and description of Iran as the “Golden Gateway to Central Asia” by Indian Prime Minister on the other hand, provided new opportunities to both the countries for strengthening their relations as both are looking to play a dominant role at regional and global levels. But the US withdrawal from the nuclear deal brought new challenge before the two countries. Therefore the objective of this article is to analysis the main factors in India and Iran relation and the future course of action for overcoming the new challenges posed by the imposition of sanctions on Iran.

Keywords: Energy, Investments, Development of Chabahar Port, Indian interests in Iran and the US, India, Iran and the US Triangle.

Öz

Hindistan ve İran ilişkiler, asırlardır yaşanmakta ve tarih boyunca iç, bölgesel ve küresel durumların değişmesi nedeniyle birçok iniş çıkışları görmüştür. Örneğin, Hindistan’daki İngiliz yönetiminden önce her iki ülke, birbirlerinin ticaretini, kültürünü, sanatını, edebiyatını, mimarisini ve geleneğini zenginleştirmişler. Ayrıca bu ilişkiler söz konusu ülkelerin sosyal, politik ve ekonomik yönleri üzerinde kalıcı bir damga bırakmıştır. 20. yüzyılın ikinci yarısında Soğuk savaşın ortaya çıkışı, Hindistan-Pakistan savaşları, İran devrimi, on yıl süren Irak-İran savaşı ve Hindistan’daki iç siyasi istikrarsızlık gibi olaylar nedeniyle Hindistan İran ilişkilerin büyümesi kısıtlanmış ve engellenmiştir. 21. yüzyılında her iki ülke istikrara kavuştu ve yeniden etkileşime dönemi başladı. Ancak ABD’nin Afganistan’a girmesi, İran’ın nükleer programının açığa çıkması ve İran’a uluslararası yaptırımların getirilmesi yeni zorluklar olarak ortaya çıktı. Kuşkusuz bir yandan dünya ekonomisinde İran’ın askıya alınması ve bir daha entegre edilmesi, siyasi çalkantı nedeniyle Ortadoğu’daki değişen güç yapısı, diğer taraftan Çin’in kuşak ve yol girişimi, yükselen Hint ekonomisi ve Hindistan Başbakanı tarafından İran’ın “Orta Asya’ya Altın Geçit” olarak tanımlanması gibi faktör-

ler yoluyla Güney Asya'daki jeopolitik'in jeoekonomisine dönüşmesi her iki ülkenin de bölgesel ve küresel düzeyde baskın bir rol oynamaya çalıştıkları için ilişkilerini güçlendirmesine fırsat vermiştir. Ancak ABD'nin nükleer anlaşmadan çekilmesi söz konusu iki ülkenin önünde yeni zorluklar getirmiştir. Bu yüzden mezkûr makalenin amacı, Hindistan ve İran ilişkisindeki ana faktörleri ve İran'a yaptırım uygulanmasının getirdiği yeni zorlukların üstesinden gelmek için gelecekteki eylem sürecini analiz etmektir.

Anahtar Kelimeler: Enerji, yatırımlar, Çahbahar limanının gelişimi, Hindistan'ın İran ve ABD'deki çıkarları, Hindistan, İran ve ABD üçgeni

1. Introduction

With the turning of twenty first century, India experienced renewed energy, vigour, and planning in India's engagement with the rest of the world. India increasingly came to occupy a new role in the world, as a confident, articulate, rising power, willing to claim its place on the global high table and able to discharge its responsibilities. No longer content to merely react to international developments, frequently acted to shape and even initiate them. On its part, the world visibly acknowledged India's potential to act as a leading actor. Consequently expanded the India engagement with various regions of the World instead of restricting outreach to each country separately, India approached regions in an integrated and holistic way (Ministry of External Affairs, 2015-16). It also expanded the footprint of Indian diplomatic engagement to cover regions and countries through the policies of "Neighbourhood First," "Making India," "Act East" and exchange of high-level visits.

However, the new century also brought new challenges both at internal as well as external levels and restricted India's growth and development. The challenges that emerged with greater intensity at domestic level are, rapidly increasing energy demand, unemployment, poverty, lack of health care facilities as well as infrastructure development etc. While on the external front main challenges are older but came up in a new shape that is China-Pakistan nexus. India considers both the countries as the imminent threat to her national security, integrity and economic growth and development. China-Pakistan nexus imposes heavy and critical burdens on Indian foreign policy contextually in relation to South Asia, West Asia as well as in Central Asia. With particular reference to the China, is strongly following her expansionist policy through the implementation of Belt and Road initiative. The Belt and Road initiative is composed of two types of project (a) development of Silk Road Economic Belt (b) development of 21st Century Maritime Silk Road. The Silk Road Economic Belt is designed to interconnect China, Central Asia, Eastern and Western Europe through the Mediterranean Sea, the Persian Gulf, the Middle East and South-East Asia.

The aim of 21st Century Maritime Silk Road is to establish an efficient transport route interconnecting major ports of different countries in South Asia, Middle East, Africa and the Mediterranean. The route runs from China's East coast to Europe through the South China Sea, Indian Ocean and then into the South Pacific. The blueprint of Belt and Road Initiative covers over sixty countries which accounts for sixty percent of World's population and a collective GDP equivalent to thirty three percent of the World's wealth. The Chinese initiative also includes six economic corridors

1. New Eurasian Land Bridge
2. China - Mongolia - Russia Corridor
3. China - Central Asia - West Asia Corridor
4. China - Indochina Peninsula Corridor
5. China – Pakistan Economic Corridor
6. Bangladesh - China - India - Myanmar Corridor. (China British Council, 2017).

The initiative mainly emphasises cooperation in five major areas, coordinating development policies, developing infrastructure and networks facilities, deepening investment and trade relations, increasing financial cooperation and expanding social and cultural exchanges. However, from the beginning India has opposed the initiative and from time to time formally as well as informally has raised its concerns at domestic and global level. The main issue that India formally raised is the China-Pakistan economic corridor which goes through the disputed territory of Jammu and Kashmir, openness and transparency, as well as equality and sovereignty. In response to a question the Indian State Minister in the Ministry of External Affairs replied that,

“The inclusion of the so-called China-Pakistan Economic Corridor (CPEC), which passes through parts of the Indian state of Jammu & Kashmir under illegal occupation of Pakistan, as a flagship project of OBOR reflects lack of appreciation of India's concerns on the issue of sovereignty and territorial integrity. Government has conveyed to the Chinese side, including at the highest level, its concerns about their activities in Pakistan Occupied Kashmir and asked them

to cease these activities.” (Ministry of External Affairs of Indian Government, 2017).

The spokesperson of Indian Ministry of Foreign Affairs Mr. Gopal Baglay in his interaction with news reports also said that

“India is of firm belief that connectivity initiative must be based on universally recognised international norms, good governance, rule of law, openness, transparency and equality.”(The Economic Times, 2017).

In a lecture at the International Institute for Strategic Studies in Singapore the Indian former Foreign Secretary Subrahmanyam Jaishankar said that

“One Belt One Road initiative was China’s own unilateral effort and that India would not commit to buy-in without significant consultation.” (Cai, 2017).

There are also think tanks and academicians who consider the Chinese initiative as a strategic and collective move on the part of China to encircle India and to strengthen and increase Chinese dominance in the South Asian region. They consider the Chinese investment not only as a soft tool to imperialism the poor and underdeveloped countries but also to get easy access to vast natural resources, untapped market, huge low-cost manpower and developing the ports for its military purpose in long run. Further the Chinese support and backing to Pakistan make India even more suspicious about the strategies of China (Gurmeet Kanwal, 2017). India considers the backing of China to Pakistan both on the domestic and external front by providing military, economic and diplomatic support is helping Pakistan to sabotage the India’s initiatives against Pakistan. And the involvement of China in Kashmir through the China-Pakistan Economic Corridor will make China to change her stand on the issues as well as add China as a third party to the dispute which further internationalise the Kashmir dispute (Kapila, 2016).

While on internal front the rapid increase in population, urbanisation, rising income and fast economic growth of over past few years gave birth to a serious challenge of meeting the rapidly increasing energy demand and employment generation. India is on third place after China and United States in the list of largest energy consuming countries of the World (Global Energy Statistical Yearbook, 2017). The B P Statistical World Energy Review 2017, shows the primary energy consumption of India increased from 414 to 723.9 million tonnes oil equivalent (MTOE) from 2006-2016 showing the increase of 318.9 million tonnes oil equivalent that is increase of 57.1% with growth rate of 5.7% and 5.4% in 2015 and 2016 respectively. In year 2015 the total consumption of primary energy in India was 685.1 MTOE which increased to 723.9 MTOE in the year 2016. The oil consumption of India in 2015 was 95.8 million tonnes (MT) which increased to 212.7 million tonnes in 2016, that is an increase of 117.6 MT, natural gas consumption was 41.2 MTOE which increased to 45.1 MTOE that is an increase of 4 MTOE, Coal consumption increased from 396.6 MTOE to 411.9 MTOE, shows the increase of 15.3 MTOE in a year. Nuclear energy decreased from 8.7 to 8.6 MTOE, hydro-electricity decreased from 30.2 to 29.1 MTEO and the consumption of other renewable energy increased from 12.7 to 16.5 MTEO from the year 2015 to 2016. Further the total proved reserves of oil shows the uninterrupted decrease, at the end of year 2006 it was 5.7 thousand million barrels which reduces to 4.7 thousand million barrels at the end of the year 2016. The situation of the daily oil production sector is also not different, no doubt from the year 2006 to 2011 it showed an increase from 760 to 916 thousand barrels per day but from the year 2012 it showed continuous decrease, in 2011 it was 916 thousand barrels per day which reduced to 876 thousand barrels per day in 2016. While on the other hand the daily oil consumption is also increasing rapidly with each passing year. In the year 2006, it was 2737 thousand barrels per day which reached to 4489 thousand barrels per day in year 2016 that shows 60% increment in the daily consumption of oil during the period. In the natural gas sector India holds 1.2 trillion cubic metres that is 0.7% of proved global natural gas reserves. The annual natural gas production

from the 2006 to 2011 showed the increasing trend. During the period the annual production increased from 29.3 to 44.5 billion cubic meters while from 2011 onwards it shows the rapidly decreasing trend. From 2012-2016 the production rate decreased from 44.5 to 27.6 billion cubic meters that shows the drop of 16.9 billion cubic meters in last four years. The consumption rate of natural gas is also on rise in 2006 it was 37.3 billion cubic meters which reached to 50.1 billion cubic meters in 2016 that is the increase of 12.8 billion cubic meters during the period. In coal sector, at end of the year 2016 India occupies total 94769 million tonnes of proved coal reserves. The annual production of coal increased from 198.2 MTOE in 2006 to 288.5 MTOE in 2016 which shows an increase of 90.3 MTOE during the period. The coal consumption also shows the simultaneous increase during the period that is from 219.4 to 411.9 MTOE which constitutes an increase of 192 MTOE in between 2006-2016. Further there is also a considerable increase in the consumption of nuclear energy and hydro-electricity as well. In the year 2006 the nuclear energy consumption rate was 4.0 MTOE and in 2016 it reached to 8.6 MTOE. During the same period the consumption of hydro-electricity increased for 25.5 to 29.1 MTOE and the consumption of other renewable energy consumption increased from 3.3 to 16.5 MTOE from 2006 to 2016 (B.P. Statistical Review of World Energy, 2017). The International Energy Outlook 2017, also forecasted that by 2040 India's commercial sector will be the largest consumer of energy in whole world. The report expects that consumption of energy in India is expected to increase by an average of 2.7% per year in between 2015 to 2040 which is more than twice the global average increase. The residential energy consumption is expected to grow by an average of 2.4 percent by the period and is the fastest growth rate in International Energy Outlook regions. The report mentions that there is an increase of an average of 3.2 percent per year in the people getting access and ownership or utilization of electronic appliances and equipment that also is expected to double the electricity consumption rate of India by 2040 (Hojjati, 2017).

Meanwhile Iran on the other hand has gone through one of the toughest phase of her history at national, regional as well as at the in-

ternational levels. With the turn of twenty first century and particularly after the 9/11 attacks on US, Iran faced new challenges particularly at the regional and international level which continues even today. The attacks on the one hand resulted in the deployment forces and encirclement of Iran by the country that is regarded by Iran as the greatest enemy (the US). While on the other hand the instability in Afghanistan and Iraq also increased vulnerability for her national security. Further unveiling the secrecy of nuclear programme created new challenges for Iran on the domestic as well as global level. The withdrawal of the US forces in Iran's neighbourhood brought some relief to Iran but the mismanagement as well as wrong decision making on the part of US in rebuilding and reconstruction of the war torn countries Afghanistan and Iraq on the one hand. The increase in enmity of Iran-US relations, and Iran-Saudi Arabia relations on the other hand raised new issues and challenges for Iran. On the part of mismanagement and hasty decision making in rebuilding of Iraq and Afghanistan increased instability and anarchy in the countries that gave birth to new issues particularly the huge inflow of refugees from Afghanistan and Iraq into Iran. The inflow of refugees not only increased pressure on the already sanctions ridden Iranian economy but also increase other social and security problems particularly the inflow of narcotics into Iran. In case of the huge inflow of refugees during the past three decades has turned Iran into one of the largest refugee hosting countries of the world. During the registration process in 2015, 9, 51,142 Afghan refugees and 28,268 Iraqi refugees made their registration. It is estimated that there are over 3.6 million Afghan refugees and over 28000 refugees from Iraq and there are also 1.5 to 2 million undocumented Afghans residing in Iran as well (UNHCR, 2014). With reference to the increase in the menace of opium and drug trafficking in the Iran and other regional countries, the RAND 2014 reports that, Iran is having nearly about 2 million people and majority of them are youth who are addicts of heroin and opiates (RAND Report, 2014). Parviz Afshar the spokesperson for the Drug Control Organisation of Iran said that there are more than 2.8 million drug addicts in Iran and even the number may be higher (BBC News, 2017). The World

Drug Report 2017 also reported the rapid increase of land under opium and poppy cultivation in Afghanistan. The report mentions that in year 2005 it was 104,000 hectares which increased to 201,000 hectares in the year 2016. The report further mentions that 85% of global opium poppy is cultivated in Afghanistan. The production level oven-dry opium in Afghanistan has also on increase and has increased from 4,100 tons to 4,800 tons from 2005 to 2016 (World Drug Report, 2017).

While on the external front Iran has been continuously facing the increasing instability and uninterrupted changes in the regional power configuration. The region is going through new phase of unending political crisis and turmoil that started with the US invasion of Afghanistan and Iraq. The event like rise of Arab Spring in 2010, fall of decades old regimes, rise of ISIS and the increase in Iran-Saudi Arabia competition for filling the power vacuum as well as protecting and supporting their respective allies and groups in the region created challenges for Iran. For increasing and strengthening her position, Iran on the one hand committed his military, economic, political and technical involvement in the region both overtly and covertly for increasing her influence by supporting, establishing and strengthening the pro-Iran and Shia dominant government and groups in the region (Mehr News, 2017). And on the other hand, it faces the challenge of reconstructing the sanction ridden economic, industrial, defence and social sectors. After signing the nuclear deal with West in 2015 and subsequently suspension of economic sanctions Iranian people expected inflow of international investment and improvement in the country's economic conditions. In the year 2017 Iran became the fifth largest oil producing country with 1.3 million barrels export of oil per day. It raised her GDP to 1.631 trillion dollars which is total increase of 12.5 percent (Amadeo, 2017). However the corruption, lack of foreign investment, continuous turmoil and involvement in expanding her influence in the regional countries has forced Iran to divert a large amount of her oil revenues for supporting her allies and pro-Iran militias rather than utilising it for improving her internal conditions that put extra-burden on the Iranian economy. The resentment of Iranian people due to the issues of increasing inflation,

unemployment, mismanagement, corruption and fast increasing economic disparity came out in shape of recently violent protests against the government which resulted in killing of over twenty people (Tehran Times, 2018). All the challenges both internal as well as external of Iran increased necessity of foreign investments in infrastructural development particularly in exploration, refining and marketing the oil and gas resources, employment generation, building defence and technological capacity, developing health sector, transportation, manufacturing, tourism, increasing export of Iranian goods, and diversifying as well as increasing her market access etc.

Therefore, taking the rapidly changing regional scenario into consideration both in South Asia and Middle East regions, the cooperation between India and Iran would play a determining role in overcoming their respective emerging domestic and regional challenges. There are areas between two countries particularly in energy, investment, trade, and infrastructural development which would transform their mutual cooperation not only into a long term strategic partnership but would extend its benefits to other countries and regions. The main areas and interests of India that are at stake are:

2. Energy Sector

In contemporary era, energy resources are considered as the backbone for developing the economy of countries. As mentioned in previous pages India is one the leading energy deficit countries and with the passage of time her dependence on the import of energy resources is increasing with very rapid speed. With the objective of maintaining and further increasing her economic growth India is heavily dependent on maintaining the secure and stable energy supplies. The continuous political turmoil and instability in the Middle Eastern region, which is main source for her energy supplies has caused a concern for the stability and security of her supplies. Therefore India constantly is in search of new sources of energy supply and tries to diversify her energy supply line to other countries and regions. The diversifying of energy supplying countries and regions would put India not only in a position

of bargaining but also ensure safety, security and stability in her future energy supplies. With respect to the India and Iran relations in energy sector, Iran has remained one of the main energy (particularly crude oil) supplying countries to India. Till 2011 Iran was the second largest supplier of crude oil to India after Saudi Arabia but the economic sanctions over Iran demoted Iran to seventh place. However, after the signing of the nuclear deal Indian import of crude oil increased subsequently. In the 2017 Iran has overtaken the Venezuela and Nigeria with 27.2 MT has become the third biggest crude oil supplier to India (The Economic Times, 2017).

For Iran, India is the second largest oil market after China (Iran Daily, 2017). On the part of availability of energy resources in Iran as per US Energy Information Administration, Iran holds the world's fourth largest proven crude oil reserves. Iran holds 10 percent of world oil reserves excluding the almost 500 million barrels of untapped proven and probable oil reserves in the Caspian Sea. Iran also shares many onshore and offshore oil fields with other countries like Qatar, Iraq, Saudi Arabia and Kuwait. With respect to the Iran's natural gas reserves it is the second largest country having natural gas reserves after Russia. It holds one third of the OPEC natural gas reserves and 17 percent of world reserves (US Energy Information Administration, 2015). Despite going through the long and hard sanctions imposed by the EU and US in response to US-Iran relations and Iranian nuclear programme, Iran moved ahead on gas front. Its plans to develop the huge Pars field, the Khuff reservoir of the Salman oil field, the Zireh field in Bushehr province, the Homa field in the south Fars province, the Tabnak in southern Iran, the onshore Nar-Kangan fields, the Aghar and Dalan fields in Fars province and the Sarkhoun and Mand fields. Most of Iran's attention has focussed on the giant South Pars offshore field which is being developed in 28 phases. But still there is huge amount of untapped oil and natural gas reserves in Iran for which Iran needs huge investment and technological support (Pranav, 2011). For taking their mutual cooperation to new heights both the countries are working on development different projects. The negotiations on the development of Farzad-B

gas field which was discovered by India, Iran-Oman-India deep sea gas pipeline is going. India has also planned to bid for the Azadegan oil field as well (The Economic Times, 2018).

2.1. Development of Chabahar Port

The second most important areas that are of great importance for India is the Chabahar Port, and increasing connectivity particularly by the development of roads and laying the railway line etc. With this respect both the countries are working on number of projects but the most important are the development of Chabahar Port and International North South Transport Corridor, and establishment of a railway line between the Chabahar port to Afghanistan. These projects occupy the great strategic significance for India. Chabahar Port has the capacity to strengthen and expand the India's strategic importance. Iran plans to develop the Chabahar port as third largest hub for Petrochemical industries after Assaluyeh and Bandar Imam. Iran is going to build 16 basic petrochemical complexes in three different phases containing Urea, Ammonia and Methanol producing plants. Iran has also plans to lay a rail line between Chabahar port, Zahedan and Mashhad, and to transport ethane gas from South Fars to Chabahar Port (Razvi & Alam, 2015). Iran has taken various steps like declared the port as a free trade zone, has invested almost US \$ 2.5 million for increasing the capacity of Port from 2.5 million tons to 12.5 million tons per year for transforming the Chabahar port into a commercial hub. The development of the Chabahar port could play an important role in shipping industry of Iran as it is Iran's first deep sea port and can decrease the pressure on the Bander Abbas which is having the capacity of only 100,000 tons. The Bander Abbas handles 85 percent of Iran's shipping. At present UAE is the first dock for the Iran bound ships exceeding the 100,000 tons of cargos where the shipment is loaded on smaller ships to suit the shallower waters of Bander Abbas (Sudha, 2014). For India the Chabahar port besides opening vast investment opportunities in Iran, also strengthens India's strategic position against China-Pakistan Economic Corridor as it is only 72 miles away from the Pakistani Gwadar port and provides access route to Afghanistan and Central Asia by bypassing Pa-

kistan. After suspension of international sanctions on Iran and China's rolling out of Belt and Road Initiative, as well as US's assurance to India on the exemption of Chabahar investment under imposition of new sanction (Ahmed, 2017). India intensified its diplomatic efforts in this respect and considers it as strategically important to overcome the encirclement of India and changing regional situation in South Asia. During the Indian Prime Ministers visit to Iran in 2016 the three countries India, Iran and Afghanistan has signed a Trilateral Agreement on Transit and Transport and India has also shown her interest in in setting up of fertilisers, petrochemical and metallurgy plants in Chabahar Free Trade Zone (Ministry of External Affairs of Indian Government 2016-17). During the recent visit of Iranian President Hassan Rouhani to India both the countries have signed the one year lease agreement of the chabahar phase first which was operationalised in 2016 and the Indian Prime Minister described the Chabahar as "India's Golden Gateway to Central Asia" (Bureau, 2018). The two countries are also the signatories of International North South Transport corridor and both are favouring to connect it with the Chabahar port and in case of connecting it with Afghanistan, India-Iran has already constructed the Delaram-Zaranj-milak-chabahar road link and is now working on laying a railway line interconnecting Afghanistan and Chabahar port. Through the port India not only tries to contain Pakistan's interference in the Kashmir but also tries to deprive it from the Afghanistan market for its goods and services. In the year 2016 the trade between Pakistan and Afghanistan dropped by 30% while on the other hand the Afghanistan trade through Iran increased for 15-20% to 37-40% during the same period (Financial Tribune, 2018). Therefore the development of Chabahar Port helps India not only in overcome her energy and market access problems, but at the same time it helps India to overcome security and isolation issues as well.

2.2. Investment

The third important aspect that is going to be playing a crucial role in strengthening and expanding the relations between the two countries is the investment sector. There are number of areas which would be

favourable for yielding better payoff for both the countries. On the part of Iran, for years Iran has been in the process of reducing dependence of her economy on oil sector by diversifying it to other areas. That has pay-out well for Iran particularly during the back broking economic sanctions. The World Bank interprets it as:

“The slump in oil price has hurt the Iranian economy but less than other oil producers in the region. The reason is that compared to others oil producers, the Iranian economy is more diversified, and therefore less dependent on oil revenues, oil accounts for about 30% of government revenues” (The World Bank, 2018).

As per the latest report published by the Iranian Customs Administration and Trade Promotion Organization the Iranian non-oil export has been continuously on increasing trend. From financial year 2007-08 the non-oil export has increased from USD 15 billion to near about USD 44 billion in the 2017-18 financial year. During the last financial year it has experienced 3.58% increase in total growth rate. The list of non-oil importing countries of Iran is dominated by China, is at the top of the list and is followed by UAE, Iraq, Turkey, South Korea and India is at the sixth place. The export products are dominated by petrochemical, steel, non-ally Iron, agricultural products, food products, and automobiles as well as pharmaceutical items etc (Financial Tribune, 2017). There are other areas particularly oil and gas, mining, industry, infrastructure development, health, agriculture, and tourism, etc that definitely will play a very important role in bringing in the foreign investors. Further Iran is having almost all the qualities which are required and very much favourable for the foreign investor. With its strategic geographical location Iran can acts as a base for out reaching the other regions and countries. With its 79.9 million populations Iran is at the 17th in world and second largest in the Middle Eastern region. Both with its geographical location as well as large population Iran not only ensures the highest consumption capability and availability of large manpower but also can open the vast consumption market in other regions. Further the presence of large amount of energy resources, Iran assures the en-

ergy security and the abundance of other natural resources assures the availability of raw materials as well (Invest in Iran, 2018). In oil and gas proven reserves, Iran occupies the fourth and second place respectively the world. The 6th five year plan of Iran has projected to touch the 4.5 million barrels, and 9, 50,000 barrels daily production of oil and gas respectively. In mining sector, Iran with 7% of world's mineral resources is placed one of the top ten countries and is first in Middle East. The mineral resources of Iran are dominated by zinc, iron, lead, coal, copper, uranium, and chromate and manganese minerals. The 6th five year development plan of Iran has set the target of attracting more than 15 billion USD foreign investments in this sector. In case of industry sector Iran has planned to increase the petrochemical production to 100 mn tons per year which is 50.7 mn tons in year 2017 and has intended to increase the steel production from current 23 million tons to 40.3 million tons by 2025. In automobile area, Iran also trying to diversify and expand it by signing contracts with major car companies. In development of its infrastructure, Iran has planned to establish an airport city comprising of 1,500 hectare free trade zones and 2500 hectare special economic zone. With the framework of 6th five year Iran has also plans to increase its electricity generation to more than 100,000 MW. In the health sector Iran is in needs of additional 115,000 new beds within five years that is casting 15 billion USD. The pharmaceutical market valued by BMI research at \$1.9 billion in 2015 is expected to grow at annual compound growth rate of 6%. In sector of tourism Iran in her twenty year vision plan is hoping to attract 20 million tourists per year by 2025 and has to build 300 four and five star hotels with cooperation of private sector and in 6th five year development plan Iran aims to attract between 500,000 to 600,000 medical tourists each year. In the 6th five year development plan Iran plans to increase the agricultural production, like the production of wheat is to be increased from 10.576 in 2017 to 14,500 tonnes by the 2021, barley from 2,955 to 3,588, maize from 1,659 to 3,000, forage corn from 9,803 to 11.154 sugar cane from 9,803 to 7,500 tonnes etc during the period. Further Iran plans to increase the investment in agriculture, infrastructure and correction of

business environment, increasing the agro-production, processing and decreasing the wastage during cultivation, production, and processing. It also requires investment in modernising and upgrading the cultivation process, transportation facilities and reducing the production cost as well (Invest in Iran, 2018).

Therefore looking at these things it is clear that Iran provides a vast opportunities and with respect to the India and Iran cooperation in investment sector both the countries from time to time have highlighted the importance of cooperation in these areas. And even both the countries have signed many MOUs and agreements for building roads, railway line, and have established various working groups and committees for working out the frame work and areas of their mutual cooperation. During the recent two day (15-17 February 2018) visit of Iranian President to India both the countries signed MoUs in fields of Traditional System of Medicine, cooperation in the field of agriculture and allied sectors, and cooperation in health and medicine as well (Ministry of External Affairs, 2018). For India, Iran not only provides the vast untapped market for its goods and services but also avails the accessibility to the markets of other countries and regions particularly of Central Asian and Persian Gulf. Therefore taking into consideration the objective of India to play a role of a major power at global level the cooperation with Iran provides the best opportunity. As Iran has the capacity not only to provide a solution to her domestic and regional challenges with its large amount of energy resources, vast availability of untapped market for goods and services, and by providing an access route to the strategically important Afghanistan and Central Asian countries. But through the development of Chabahar port Iran makes India able to challenge the China-Pakistan nexus on CPEC front. While on the global level, Iran has already supported India for permanent membership in UNSC and in return India has supported Iran for her membership in WTO. Therefore on their bilateral level the stage is set for opening a new chapter in their mutual cooperation as Indian Prime described Iran as India's "Golden Gateway to Central Asia."

3. Indian Interests in Iran and the US

For India, Iran has been playing a very crucial role and is one of the top three oil exporting countries. Shifting the oil import from the country like Iran in short span is quite shaky. Also in importing oil from Iran, India is getting many other benefits like 60 days credit period, which Iran even may extend to 90 days, freight discount of 100 percent, shipping insurance that Iran is providing for overcoming the insurance problems faced by the Indian oil companies after refusal of the United India Insurance for providing insurance cover to the shipments (Nichols, 2018). As per reports Iran may also offered India oil on lower price in comparison to the international market rates in case India continues with its oil import from Iran (The Times of India, 2018). In shifting the oil import from Iran to other countries India is likely not only to lose these benefits but also the price rise result consumption of a larger share of her economy by oil purchasing. On the regional front India is facing the isolation and encirclement by Chinese Belt and Road project. China in collaboration with Pakistan not only building a bloc on its northern border but also has started encircling India on its eastern and southern border by strengthening defence and economic relations with countries Nepal, Bhutan, and Maldives as well as with Sri-Lanka. In past these countries were very friendly with India. But from the past few years the relations with the countries particularly with Nepal, Bhutan and Maldives are in strain and they are going closer to China. In such scenario, Iran in addition to providing India a way out from the encirclement by the development and interconnecting of the Chabahar Port with North South Transport corridor, offers an access route to the strategically important Afghanistan. Therefore Iran provides India an ample scope and opportunities not only for energy, trade and economic cooperation but also enables India to gain strategic advantage over the arch rivals Pakistan and China both economically and politically in Afghanistan and Iran.

On the global level India is working on the objective of building a statue of a big power in the global politics and on that front it tries to develop strategic cooperation with the big powers particularly with

the US. The India's relations with US are on the crucial stage after the dispute over tariff and India is eager to transform it into a "global strategic partnership." After joining the Missile Technology Control Regime (MTCR), India is in search of a permanent membership in UNSC, and the Nuclear Supplier Group (NSG) as well as restricting increasing influence of China and Pakistan. While on the defence they are working very closely, the defence and arms trade between India and US has shown a rapid increase, from 1999 to 2003 the arms imports of India from US was only 0.2 percent of its total trade, in between 2004-2008 it increased to 1.9 percent and from 2009 to 2013 it constituted of 7.4 percent (Mishra, 2018). Presently India-US relations are broad based and multi-sectoral, covering defence and security, civil nuclear energy, space technology, trade and investment, mutual-production and mutual-development of defence items under the defence technology and trade initiative (DTTI), so on and so forth. In 2016 US has recognised India as a "Major Defence Partner" and committed for technology sharing with India (Ministry of External Affairs of Indian Government). At the end of the Obama's term the arms trade rose to 14 billion and is increasing with each passing year.

4. India, Iran and the US Triangle

The triangle of India, Iran and US has made the choices for the Indian policy makers quite challenging from the recent past and particularly after the re-imposition of sanctions on Iran on the 07 August 2018. On the US withdrawal from the Joint Comprehensive Plan of Action (JCPOA) India returned to its traditional stand and called for the diplomacy and dialogue for resolving the nuclear issue (Bhattacharjee, 2018). Initially Indian External Affairs Minister Mrs. Sushma Swaraj before her meeting with the Iranian foreign Minister Javad Zarif that India will not accept sanctions imposed by the United States, replying to questions of journalists she said that:

"We recognise UN sanctions and not country specific sanctions. We did not follow US sanctions on previous occasions either."

The statement issued after the meeting of the two foreign ministers mentions that:

“EAM conveyed that all parties to the (JCPOA) Agreement should engage constructively for peaceful resolution of the issues that have arisen with respect to the Agreement” (Haidar, 2018)

However the hardening stand of the Trump Administration and subsequently the recent visit of the US representative to UN Nikki Haley to India in June conveyed the message very clearly that:

“All of us have to rethink who we choose to do business with. I think, as a friend, India should also decide is this a country they want to continue doing business with....I think for the future of India, future of resources, we would encourage them to re-think their relationship with Iran” (The Times of India, 2018).

344

On the development of Chabahar Port she said that:

“We know the port has to happen and the US is going to work with India to do that...we know that they are being a great partner with US in Afghanistan and really trying to assist the US and trying to do more” (Verma, 2018).

While Iranian Deputy Ambassador and Charge d’Affaires Massoud Rezvanian Rahaghi on the other hand warned India, that not only the special privileges like 60 days credit for purchase, freight discount would end but the connectivity related interests with Iran would also defer if India stopped importing Iranian oil.

5. Indian Stand and Options

The imposition of first round of sanctions on Iran, targeting the acquiring or buying of US dollars by Iran, trade in gold and other precious metals, import and export of graphite, aluminium, steel, coal, software for integrating industrial process, automotive sector, purchase or sale of Iranian rials and buying or facilitating the issuance of Iranian sov-

foreign debt, cause little problem to India. For making future strategy, earlier India's oil minister called a meeting with the refiners dealing with Iranian oil and urged them to prepare for a drastic reduction or zero imports of Iranian oil from November and search for the alternatives to Iranian oil. Under the US pressure and avoiding the US sanctions, the Indian Reliance Industries Ltd, the operator of the world's biggest refining complex has already halted importing the Iranian oil (The Indian Express, 2018). The State Bank of India has also conveyed Indian refiners and government that its inability to handle oil payments to Iran from November onwards (Reuters, 2018). On the official level the Indian government has maintained the policy of wait and watch. It has kept its eyes on the position and stand to be taken by the EU countries (The Indian Express, 2018). Previously Indian Prime Minister has talked with the Russian President and German Chancellor Angela Merkel and recently India also has sent a delegation to Europe to access options of continuing trade with Iran. The delegation was comprised of officials from the ministry of petroleum, external affairs and ministry of finance which interacted with the government officials, bankers and other sources having knowledge of the development. India is looking at the EU as an option for continuing its energy trade with Iran and currently is making its oil payments to Iran in euros through Germany's EIH bank. In case EU joins the US, then it will be a problem for India in continuing its business with Iran. In response to the query the Oil Minister of India refused to talk about the impact of the sanctions on India's trade with Iran by saying that it too early to say anything (Business Standard, 2018). After failing to get any weaver from the US as reports suggest, India is keeping in consideration its past experience in dealing with Iran during the sanctions period under the previous US administrations, is looking at other options as well. Previously India used different alternative mechanism for making oil payments like the rupee-rial, the Asian Clearing Union (ACU), Turkish Halkbank, and UCO Bank which is not having any property in US as well as the rupees as the mode of payment to Iran. While Iran on the other hand has been also considering trade in recently inaugurated Chinese Yuan-denomi-

nated crude oil future on the Shanghai International Energy Exchange (Ray Dadwal, 2018). Both the countries are also in constant touch and are making deliberations about the future course of action for overcoming the future issues emerging out of the imposition of the US sanctions on the Iran. In July 2018 the foreign secretaries of both the countries meet in New Delhi and agree to explore the means for continuing the oil trade and discussed new banking channels. The statement issued from the Ministry of Foreign Ministry of India says that:

“Views were also exchanged on regional and international issues of mutual interest, including the efforts being made by various parties to address issues that have arisen over the Joint Comprehensive Plan of Action” (The Economic Times, 2018).

Conclusion

The India's interests at the stake in the Iran and the US are much higher as compared to the previous times. On the internal front India is energy deficit country and counted as one the largest energy-consuming countries. On the external front the issues of overcoming the Chinese encirclement, China-Pakistan nexus and enhancing its global stature are the top priorities of the country. In dealing with the current situation that is the re-imposition of US sanctions on Iran and making the adjustments accordingly is not new to India. India is familiar to such situation and has dealt and adjusted herself with even harder situations when all countries favoured the US. In current situation there is a bloc that is European countries, Russia and China which have opposed the Trumps withdrawal for the Joint Comprehensive Plan of Action and subsequently the re-imposition of sanctions on Iran. Taking these into consideration India officially has to maintain the policy of wait and watch, and unofficially has to search out the ways and means to deal with the situations in both cases that is (a) shifting the imports from Iran to other countries (b) how to convince the US and what means would be adopted for making the oil payments to Iran in case of continuing business with the Iran.

References

Ahmed, K. (2017). *The Chahabar Checkmate*, Indian Express retrieved from <http://indianexpress.com/article/opinion/columns/the-chahabar-checkmate-pakistan-afghanistan-4953378/> on 20/02/2018.

Amadeo, K. (2019). *Iran's Economy and the Impact of the Nuclear deal and Sanctions*, The Balance, retrieved from <https://www.thebalance.com/iran-s-economy-impact-of-nuclear-deal-and-sanctions-3306349>

Bagchi, I. (2018). *Nikki Haley talks tough on Iran Import curbs, India may fall in line*, Times of India, retrieved from <https://timesofindia.indiatimes.com/business/india-business/us-firm-india-may-cut-energy-imports-from-iran/articleshow/64782981.cms>

BBC News (2017). *Iran's Drug Problem: Addicts more than Double in Six years*, retrieved from <http://www.bbc.com/news/world-middle-east-40397727> on 20/02/2018.

Bhattacharjee, K. (2018). *India urges dialogue after US withdraws from Iran n-deal*, The Hindu, retrieved from <https://www.thehindu.com/news/national/india-urges-dialogue-after-us-withdraws-from-iran-n-deal/article23825182.ece>

Brig Gurmeet, K. (2017). *China's Belt and Road Initiative: India Must Stay Out*, Vivekananda International Foundation, retrieved from <http://www.vifindia.org/article/2017/may/25/china-s-belt-and-road-initiative-india-must-stay-out> on 20/03/ 2018.

Bureau F. (2018). *India, Iran signed nine Pacts: Substantive talks Modi*, Financial Express. retrieved from <https://www.financialexpress.com/india-news/india-iran-sign-nine-pacts-substantive-talks-modi-rouhani/1070143/>

Business Standard (2018). *India sends delegation to Europe to assess impact of US sanctions on trade with Iran*, retrieved from <https://www.business-standard.com/article/pti-stories/india-sends-delegation-to-europe-to-assess-impact-of-us-sanctions-on-trade-with->

iran-118060601279_1.html

B.P. Statistical Review of World Energy (2017), retrieved from <https://www.bp.com/content/dam/bp/en/corporate/pdf/energy-economics/statistical-review-2017/bp-statistical-review-of-world-energy-2017-full-report.pdf> on 20/2/2018.

Cai, P. (2017). *Why India is Wary of China's Silk Road Initiative*, The World Post, Berggruen retrieved from https://www.huffingtonpost.com/peter-cai/india-china-silk-road-initiative_b_11894038.html on 23/02/2018.

China-British Business Council, (2017). *One Belt One Road*, retrieved from http://www.cbcc.org/cbbc/media/cbbc_media/One-Belt-One-Road-main-body.pdf on 20/07/2017.

Express News Service (2018). *Re-imposed US sanctions on Iran kick in- what they are, what it means*, The Indian Express, retrieved from <https://indianexpress.com/article/explained/re-imposed-us-president-donald-trump-sanctions-on-iran-kick-in-what-they-are-what-it-means-5294804/>

Financial Tribune (2018). *Chabahar Port Empowers India-Afghanistan Trade*, retrieved from <https://financialtribune.com/articles/economy-business-and-markets/79849/chabahar-port-empowers-india-afghanistan-trade> on 28/02/2018.

Financial Tribune (2017). *Iran Non-oil Export Profile 2016-2017*, retrieved from <https://financialtribune.com/articles/economy/64487/iran-non-oil-export-profile-2016-2017> on 20/02/2018.

Global Energy Statistical Yearbook (2017). retrieved from <https://yearbook.enerdata.net/total-energy/world-consumption-statistics.html> on 25/07/2017.

Haidar, S. (2018). *No Sanctions on Iran: Sushma*, The Hindu, retrieved from <https://www.thehindu.com/news/national/no-sanctions-on-iran-sushma/article24017540.ece>

Hojjati, B. (2017). *Buildings energy consumption in India is expected to increase faster than in other regions*, Today in Energy, retrieved from <https://www.eia.gov/todayinenergy/detail.php?id=33252> on 24/02/2018

Iran Daily (2017). *Iran's Oil exports to India up 88%*, retrieved from <http://www.iran-daily.com/News/204546.html> on 20/03/2018.

Kapila, S. (2016). *India's Foreign Policy and the China-Pakistan Axis*, Indian Defence Review, retrieved from <http://www.indiandefencereview.com/spotlights/indias-foreign-policy-and-the-china-pakistan-axis-2016/> on 25/02/2018.

Mehr News, (2017). *Iran's support prevented Iraq, Syria collapse: Ex Iran's FM*. retrieved from <https://en.mehrnews.com/news/129333/Iran-s-support-prevented-Iraq-Syria-collapse-Ex-Iran-s-FM> on 20/2/2018.

Ministry of External Affairs Annual Report (2015-16), Government of India, P67.

Ministry of External Affairs, (2018). *India-Iran Joint Statement during the visit of the President of Iran to India*, Government of India, retrieved from <http://www.mea.gov.in/bilateraldocuments.htm?dtl/29495/IndiaIran+Joint+Statement+during+Visit+of+the+President+of+Iran+to+India+February> on 25/02/2018.

Ministry of External Affairs, (2018). *India-Iran Joint Statement during the visit of the President of Iran to India*, Government of India, retrieved from <http://www.mea.gov.in/bilateraldocuments.htm?dtl/29495/IndiaIran+Joint+Statement+during+Visit+of+the+President+of+Iran+to+India+February> on 25/02/2018.

Ministry of External Affairs, (2017). Government of India, retrieved from https://www.mea.gov.in/Portal/ForeignRelation/India_US_brief.pdf

Mishra V. (2018). India-US Defence Cooperation: Assessing Strategic Imperatives, *Strategic Analysis*, 42(1), <https://doi.org/10.1080/09700161.2017.1420121>

Nichols, M. (2018). *US envoy Haley tells Modi important to cut imports of Iranian oil*, Reuters retrieved from <https://www.reuters.com/article/us-usa-iran-india/u-s-envoy-haley-tells-modi-important-to-cut-imports-of-iranian-oil-idUSKBN1JN24K>

Organisation for Investment, Economic and Technical Assistance of Iran (2018). *Investment opportunities in Iran*, retrieved from <https://www.investiniran.ir/en/filepool/377/Investment-Opportunities-in-Iran?redirectpage=%2fen%2febook> on 24/02/2018.

Policy Planning and Research Division, (2015-16). *Ministry of External Affairs (Annual Report 2015-16)*, retrieved from https://www.mea.gov.in/Uploads/PublicationDocs/26525_26525_External_Affairs_English_AR_2015-16_Final_compressed.pdf on 20/02/2018.

Pranav, K. (Ed). (2011). *India's Energy Requirements, Natural Gas and Persian Gulf*, Ed. Anwar Alam, India, global powers and West Asia: Political and Economic Dynamics, New Century Publications New Delhi.

RAND Report (2014), *Iran's influence in Afghanistan: Implications for the US Drawdown*, retrieved from www.rand.org/content/dam/rand/Pubs/ResearchReport/RR600/RR616/RAND_RR616.pdf on 25/4/2015.

Ray Dadwal, S. (2018). *Iran Sanctions: India's options*, Institute of Defence Studies and Analyses. retrieved from <https://idsa.in/idsacomments/iran-sanctions-srdadwal-120718>

Razvi Ashok, K. B and Alam, M. M. (2015). *India's renewed interest in Chabahar: Need to stay the course*, Institute for Indian Defence studies and analysis, New Delhi, retrieved from http://www.idsa.in/issuebrief/IndiasRenewedInterestinChabahar_BehuriaRizvi_130515 on 03/11/2017.

Sabha, R. (2017). *Question No. 2735 Belt and Road Initiative of China*, Ministry of External Affairs, retrieved from <http://www.mea.gov.in/rajyasabha.htm?dtl/28857/question+no2735+belt+and+road+initia->

tive+of+china on 20/12/2017.

Sudha, R. (2014). *India to invest Iran's Chabahar Port*, The Central Asia-Caucasus Analysis, retrieved from <http://www.cacianalyst.org/publications/analytical-articles/item/13099-india-to-invest-in-irans-chabahar-port.htm> on 03/11/2017.

The Economic Times, (2018, July 16).

The Economic Times, (2017, June, 13).

Tehran Times, (2018). *Riots in Iran were engineered in Erbil: Rezaee*, retrieved from <http://www.tehrantimes.com/news/420080/Riots-in-Iran-were-engineered-in-Erbil-Rezaee> on 20/02/2018.

The Economic Times (2017). *Iraq replaces Saudi Arabia as India's lead oil supplier*, retrieved from <https://economictimes.indiatimes.com/news/economy/foreign-trade/iraq-replaces-saudi-arabia-as-indias-lead-oil-supplier/articleshow/62120071.cms> on 20/02/2018.

The Economic Times (2018). *OVL to bid for Iran's South Azadegan Oilfield, rework Farzad-B cost*, retrieved from <https://economictimes.indiatimes.com/industry/energy/oil-gas/ovl-to-bid-for-irans-south-azadegan-oilfield-rework-farzad-b-cost/articleshow/62969076.cms> on 25/02/2018.

The Times of India (2018). *Modi Government's Dilemma: TO buy oil from Iran or US*, retrieved from <https://timesofindia.indiatimes.com/business/india-business/modi-governments-dilemma-donald-trump-or-cheap-iran-oil/articleshow/65035572.cms>

The World Bank (2016). *Iran's Economic Outlook- July 2016*, retrieved from <http://www.worldbank.org/en/country/iran/publication/economic-brief-july-2016> on 24/02/2018.

Verma, N. (2018). *Iran offer India oil Cargo insurance, shipping to boost sales*, Reuters, retrieved from <https://www.reuters.com/article/us-india-iran-oil-insurance/iran-offers-india-oil-cargo-insurance-ships-to-boost-sales-sources-idUSKBN1KG29X>

Verma, N. (2018) *India's top Bank top handling Iran oil payments, import may be hit*, Reuters, retrieved from <https://www.reuters.com/article/india-iran-oil/update-1-indias-top-bank-to-stop-handling-iran-oil-payments-refiner-idUSL4N1TH24F>

Verma, N. (2018). *India Preparing for cut in oil imports from Iran: Sources*, Reuters, retrieved from <https://www.reuters.com/article/us-india-iran-oil-exclusive/exclusive-india-preparing-for-cut-in-oil-imports-from-iran-sources-idUSKBN1JO18L>

UNHCR, (2014). *Refugees in Iran*, retrieved from <http://unhcr.org/ir/en/menu/88/Refugees-in-Iran> on 20/02/2018.

US Energy Information Administration (2015). retrieved from http://www.eia.gov/beta/international/analysis_includes/countries_long/Iran/iran.pdf on 29/12/2017.

World Drug Report, (2017). *United Nations Office on Drug and Crime*, retrieved from https://www.unodc.org/wdr2017/field/Booklet_2_HEALTH.pdf on 20/02/2018.