

India-Iran Relations: Challenges and Opportunities

Mahwish Hafeez*

Abstract

Besides geographic proximity, India and Iran share a historic relationship that has its mark even today. However, despite these historic ties, both India and Iran have not been able to take this relationship to the desired level. Although several factors account for this failure, the biggest being the prevailing hostility between the US and Iran. Throughout the Cold War era, both Tehran and Washington were close allies. However, this situation completely changed following the Iranian revolution and the 1979 hostage crisis. This sudden change between the US and Iran had an impact on Iran's relationship with the rest of the world. Since India is aspiring to become a global economic power, it is imperative for India to ensure a continuous supply of energy resources. This necessity for energy resources has compelled India to maintain some level of cooperation with Iran despite the US pressure. Thus, New Delhi finds itself walking a tight rope balancing its relationship with energy-rich Iran and the world's dominant power, the US.

Keywords: India-Iran Relations, Energy Resources, Economic Sanctions, US-Iran Relations.

Introduction

India-Iran relations are centuries old. Their shared history, economic linkages, bilateral trade and cultural ties dating back to antiquity. However, the nature of this relationship is far different today as new factors have emerged to play their role. One such factor is the US – the sole superpower of the world. Washington's suspicion over Iran's nuclear programme had a direct impact on India's relations with Iran. Being an energy-starved country, India certainly looks towards Iran. Tehran, on the other hand, looks towards New Delhi as a potential market for its rich energy resources. There are other areas of convergence as well but both India and Iran have not been able to develop this relationship to the expected level. The reason for this

* The author is Research Fellow at the Institute of Strategic Studies Islamabad.

failure is primarily because of the sanctions which the US has imposed on Iran to pressurise it to comply with its demands. Given the nature of the relationship, this paper examines the US factor in India-Iran relations and tries to analyse how the government of Prime Minister Narendra Modi is pursuing this relationship.

India-Iran Relations: A Historical Perspective and Current Trajectory

India's relations with Iran date back five millennia. Throughout history, the economic and cultural exchanges took place through the Silk route. Deep cultural linkages are illustrated by the fact that the official language in India, during the Mughal era, was Persian. This historical connectivity has also resulted in the presence of around 70,000 Parsis in India today.¹ However, in present times, a number of factors dominate the cordial relations between India and Iran. The first factor is the Muslim population in India, particularly the Shia Muslims. The second factor is the situation in Afghanistan. Iran's rich energy resources and India's ever-growing energy needs are the third factors. Another factor that enhances Iran's importance for India is its geographic location since it connects Central Asia and the Caspian region. Both these regions are energy-rich and account for China's inroads into these two regions. Thus, India is keen to make its presence felt in the region.

In addition to these factors, Iran is also important for India because of the Indian Ocean Region (IOR) where India is taking a keen interest in using the Chabahar port. This port will give the Indian goods access to Afghanistan and beyond through the Delaram-Zaranj highway. In fact, India was able to dispatch the first consignment of wheat amounting to 1.1 million tonnes to Afghanistan through Chabahar port in October 2017.² Through the Chabahar port, India hopes to counter Pakistan's Gwadar port as it is sceptical that, through Gwadar port, China would be able to monitor the activities of the Indian and American navies and, as the Indians anticipate, Gwadar port may serve as a base for the Chinese ships and submarines, thereby, posing a direct threat to India.

¹ Mohammad Soltaninejad, "Iran-India Relations: The Unfulfilled Strategic Partnership," *India Quarterly* 73, no. 1 (January 24, 2017): 1-2.

² "India Ships Wheat to Afghanistan via Chabahar," *Hindu*, October 29, 2017, www.thehindu.com/news/national/india-ships-wheat-to-afghanistan-via-chabahar/article19945498.ece?homepage=true

In relation to energy security, the Indian aspirations to be recognised as a world power requires it to maintain steady economic growth. And, to serve that purpose, it is necessary for India, the fourth largest energy-consuming country in the world, to ensure an uninterrupted supply of energy resources.³ Hence, energy security has become a key foreign policy consideration for India. In addition, due to its growing population, India's, energy requirements are also increasing.

According to the recent estimates, oil imports from other countries like the UAE, Kuwait and Mexico constitute 80 per cent of India's total imports.⁴ Lately, Iraq and Saudi Arabia have become India's largest oil suppliers.⁵ On the other hand, the efforts for a cleaner environment around the globe have also compelled India to look for cleaner sources of energy instead of coal. Hence, Iran – with its rich energy resources estimated at 137.6 billion barrels of oil reserves and 1,046 cubic feet of natural gas - makes it the third-largest crude oil reserves and second-largest natural gas reserves country in the world⁶ and world's sixth-largest oil exporter⁷ - is a natural choice for India.

The relationship between India and Iran can work both ways. India's growing global profile, its huge economy, human resource and big markets make India an important country of the region. Therefore, India's rise as growing economic and political power can prove to be helpful for Iran to emerge from international isolation. Iran may find a huge demand for its resources in India. However, both India and Iran have not been able to take

³ "India is the Fourth Largest Energy Consumer in the World: Report," *Hindu Business Line*, March 19, 2013,

<http://www.thehindubusinessline.com/economy/india-is-fourth-largest-energy-consumer-in-the-world-report/article4525172.ece>

⁴ "India's Oil Import Bill to Jump by 25 % in FY 18," *Economic Times*, March 26, 2018, <https://economictimes.indiatimes.com/industry/energy/oil-gas/indias-oil-import-bill-to-jump-by-25-in-fy18/articleshow/63464408.cms?from=mdr>

⁵ "Iraq, Not Saudi Arabia, is India's Top Oil Supplier," *NDTV*, July 25, 2016, <https://www.ndtv.com/india-news/iraq-not-saudi-arabia-is-indias-top-oil-supplier-1435916>

⁶ Shebonti Ray Dadwal, "India-Iran Energy Ties: A Balancing Act," *Strategic Analysis* 36, issue 6 (2012): 930-940.

⁷ Craig Anthony, "World's Top 10 Oil Exporters," Investopedia, October 28, 2018, <https://www.investopedia.com/articles/company-insights/082316/worlds-top-10-oil-exporters.asp>

their relationship to the desired level. The relationship has generally remained cordial but it has not reached the level of strategic partnership.⁸

After the independence of India in 1947, the relationship between India and Iran was on a strong footing. This situation soon changed as both countries found themselves in two different blocs during the Cold War. The Iranian government, under Shah Pahlavi, chose to become part of western bloc whereas India, under Prime Minister Jawaharlal Nehru followed firstly a policy of 'non-alignment' and then began to tilt towards the Soviet Bloc. However, despite being in two different camps, both countries managed to retain cordial relations. Even when India went to war with Pakistan in 1965 as well as 1971, the situation remained static. Following the Iranian revolution, further improvement in the Indo-Iran relations was expected. However, certain developments in the region, for example, the Soviet Union's invasion of Afghanistan in December 1979 prevented the two countries from forging close ties. During initial days of the conflict, both countries found themselves diplomatically opposed as Iran put its support behind the Northern Alliance led by Ahmad Shah Masud whereas India backed the Soviet installed government of Babrak Karmal.

The situation again changed as the Soviet forces withdrew from Afghanistan in February 1989 since both the countries vehemently opposed the Taliban. Subsequently, relations started to improve particularly after 9/11. Interestingly, at this particular point in time, India, Iran and the US found themselves on the same page as all three were opposed to Taliban rule in Afghanistan and were eager to overthrow their government. In 2003, the Iranian President, Mohammad Khatami's visit was the high point of Indo-Iran relations. During the visit, President Khatami was the special guest in India's Independence Day celebrations. Both countries agreed to forge a strategic partnership.⁹

This rapprochement did not last long and, this time, it was Iran's nuclear programme that acted as a catalyst. Iran's differences with the US and the Western world also put India on the back foot since by that time India was getting closer to the US. As a result, India had voted against Iran three times at the Board of Governors of the International Atomic Energy Agency

⁸ Soltaninejad, "Iran-India Relations."

⁹ Ministry of External Affairs, Government of India, *India- Iran Relations*, 2017, https://mea.gov.in/Portal/ForeignRelation/India-Iran_bilateral_August_2017.pdf

(IAEA). The first vote was cast in 2005¹⁰ in which Iran was condemned for failing to observe its nuclear safeguards commitments, in 2006¹¹ a resolution was also passed to send Iran's dossier to the United Nations Security Council (UNSC). The third vote came in 2009 when an IAEA resolution was passed asking Iran to shelve construction of a uranium enrichment plant at Qom.¹²

Hence, the dream of forging a strategic partnership remained unrealised. However, despite these setbacks in a relationship, both Iran and India continued their trade and economic relationship and India continued importing oil from Iran despite the sanctions. In fact, after the European companies refused to provide insurance to tankers carrying oil from Iran, the Indian government came forward offering state-backed insurance to resume business with Iran.¹³

US Factor in India-Iran Ties

Since the Iranian revolution in 1979 which replaced the Shah of Iran with an Islamic government led by Ayatollah Khomeini and the hostage crisis when 52 American citizens were kept as hostage in the US embassy in Tehran, Iran has not been able to take full advantage of its energy resources. The US factor played a major role in preventing Iran from taking advantage of its energy resources. Initially, the Iranian revolution resulted in the US banning all its companies from doing business with Iran. This left an open space for all other rival companies. On August 1996, the US Congress passed the "Iran Libya Sanctions Act" (ILSA), which later came to be known as the "Iran Sanctions Act" (ISA).¹⁴ The ISA facilitated Washington in pressurising other international companies from doing business in Iran.

¹⁰ Summaiya Khan, "Iran Nuclear Deal: Implications for India," Institute for Peace and Conflict Studies, November 10, 2015,

http://www.ipcs.org/comm_select.php?articleNo=4932

¹¹ Christina Fair, "Indo-Iranian Ties: Thicker Than Oil," Non-proliferation Policy Education Center, March 16, 2007,

<http://www.npolicy.org/article.php?aid=270&rtid=2>

¹² "India Votes Against Iran in IAEA Resolution," *Hindu*, November 27, 2009, <https://www.thehindu.com/news/national/India-votes-against-Iran-in-IAEA-resolution/article16894640.ece>

¹³ Soltaninejad, "Iran-India Relations."

¹⁴ Kelsey Davenport, "Timeline of Nuclear Diplomacy With Iran," Arms Control Association, <https://www.armscontrol.org/factsheet/Timeline-of-Nuclear-Diplomacy-With-Iran>

Under the ISA, the US made sure that no foreign investments in Iran's energy sector that crossed US\$20 million per year took place.¹⁵ The American pressure also reduced the prospects of foreign investment in Iran's energy sector. The US also froze all assets of Iran and restricted all international financial institutions to lend any loans to Iran.

Iran, which was still trying to recover from almost a decade long war with Iraq, found it extremely difficult to deal with this situation. As a result of the departure of international oil companies, the Iranian government decided to bring the Islamic Revolutionary Guards Corps (IRGC) to take the Iranian oil sector into its own hands and Brigadier General Rostam Ghasemi, the commander of the IRGC's construction arm.¹⁶ This step was taken to give a clear signal to the international community that Iran was able to manage its own affairs and was not dependent on the international community. It is also interesting to note that, although all these sanctions were meant to restraint Iran from undertaking energy trade, Iran's oil exports never came under any sanctions until 2011.

Perhaps, it was due to the oil prices in the international market that had a direct bearing on the economies of the US and other European powers.¹⁷ It was only following the release of the IAEA report which alleged that Iran was secretly working on developing nuclear weapons that the US sanctions also included Iran's petrochemical sector as well as the entire banking sector. Things did not end here. The countries that were doing business with Iran in refined petroleum products were also brought under the purview of sanctions. Major India company Reliance was pressured with denial of loans from the US Exim Bank close to US\$900 million for the purchase of US equipment. As a result, Reliance stopped exporting refined gasoline to Iran because it did not want to lose its business with the US.¹⁸ Such steps led to almost 95 per cent reduction in Iran's refined fuel imports.¹⁹ This pressure also led to the countries like India and China to opt for barter trade

¹⁵ Ibid.

¹⁶ Dadwal, "India-Iran Energy Ties."

¹⁷ Ibid.

¹⁸ S Samuel C Rajiv, "Iran Sanctions and India - Navigating the Roadblocks," Institute for Defence Studies and Analyses, Monograph Series, no. 52, July 2016, <https://idsa.in/system/files/monograph/monograph52.pdf>

¹⁹ Dadwal, "India-Iran Energy Ties."

with Iran in an effort to avoid sanctions which obviously was not enough to meet the amount of payments for oil imports.

Thus, the US factor and sanctions had a direct bearing on India's relations with Iran. Besides, with the dissolution of the Soviet Union in 1991, the US emerged as the sole superpower. With this changed reality, India was forced to adjust and quickly made a rapprochement with the US as both New Delhi and Washington found areas of mutual interests. For example, both were wary of the rise of the Chinese influence throughout the world. Other issues include India's desire for playing a greater role in the global affairs and in this quest, the US could help it by supporting its bid for permanent membership in the UNSC. The signing of the civil nuclear agreement between the two countries is another example of how the US can serve India's interest. India, therefore, could not afford to ignore the US while maintaining its relations with Iran.

During the period when the civil nuclear agreement was being negotiated, the US repeatedly hinted that India's close relations with Iran could have a negative impact on the deal. In 2005, when the Indian Foreign Minister, K Natwar Singh, went to Tehran the Bush administration did not hesitate to warn India that its failure to cooperate with the US on Iran could have negative implications for the civil nuclear agreement.²⁰ However, once this deal was signed, the government of Manmohan Singh came under severe criticism particularly from the communist parties who blamed his government for giving in to the American line and negotiating a deal that did not protect the Indian interests in a number of ways. The charges were strongly denied by the government. In 2006, India's vote against Iran in the IAEA over its alleged nuclear programme brought the relationship to an all-time low. This happened soon after India and the US reached an understanding over the civil nuclear deal. It was rightfully assumed that India had taken this step at the behest of the US. Although India had already been shying away from the Iran-Pakistan-India (IPI) gas pipeline project, in reaction to India's vote against Iran, Tehran also stepped back from approving the agreement on the pretext of differences overpricing of the LNG and Supreme Economic Council wanted the price to be renegotiated.²¹

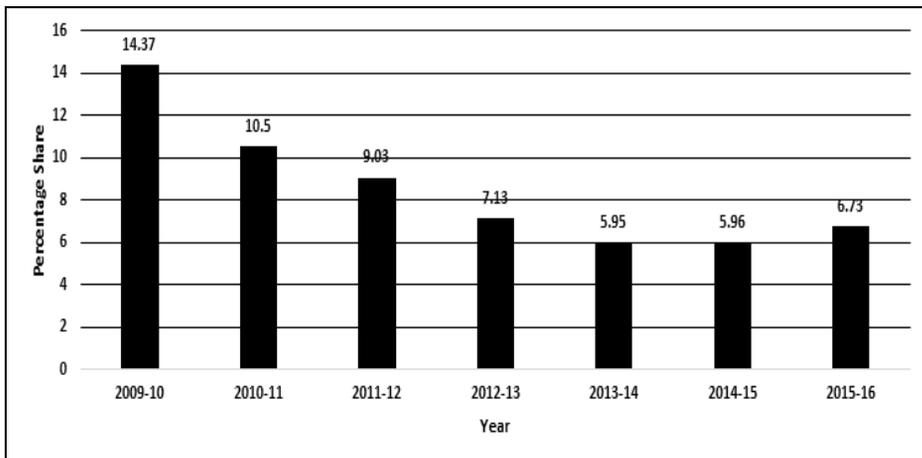
²⁰ Soltaninejad, "Iran-India Relations."

²¹ Dadwal, "India-Iran Energy Ties."

In December 2010, the Reserve Bank of India discontinued the Asian Clearing Union (ACU) currency swap mechanism under the US pressure. This step resulted in approximately US\$5 billion that was to be paid to Iran by the Indian oil companies for the already purchased crude oil being held up. Ultimately, Iran warned that it would cancel all the contracts with India if payments were not made. India paid roughly two-third of this money through the German-based Europaisch Iranische Handelsbank in February 2011. Later, this bank also stopped receiving payments from India. Europaisch Iranische Handelsbank was then replaced by Turkish Halkbank which also refused to help India in this regard.²²

Once again, the US pressure forced India to reduce its oil imports from Iran by 11 per cent in 2012. This decision was taken a week after the US Secretary of State, Hillary Clinton, pressed upon India to curtail its engagements with Iran. The following year India declared that it would reduce oil imports from Iran by 15 per cent on an annual basis.²³ As the graph below indicates, the Indian oil imports from Iran reduced dramatically during the period 2009-2016 (being at their lowest during 2013-14):

Figure No. 1
Indian Oil Imports from Iran



Source: Rajiv, "Iran Sanctions and India."

²² Ibid.

²³ Soltaninejad, "Iran-India Relations."

IPI Gas Pipeline: The Road to Nowhere

India's growing need for cleaner energy sources led India to sign a gas pipeline deal with Iran. The idea of IPI gas pipeline was first floated by a Pakistani engineer in 1950s.²⁴ In 1993, Pakistan and Iran officially made their plans public to build a gas pipeline. Subsequently, the Iranian authorities suggested extending this pipeline into India as well. Due to longstanding antagonism between India and Pakistan, the pipeline became to be known as the "peace pipeline." The proposed length of the pipeline was 2,775 km, starting from Iran's South Pars gas field in the Persian Gulf to Khuzdar in Balochistan, with one branch turning towards Karachi and the other to India from Multan. The estimated cost of this pipeline was US\$7.5 billion.²⁵ The agreement signed between India and Iran in January 2005²⁶ envisaged that from 2009 for the next 25 years, 7.5 million tonnes of LNG per annum would be sold to India by Iran.²⁷ During the final negotiations of the IPI gas pipeline deal, India was also busy in wooing the US for a civil nuclear agreement.

Hence, within a few months of signing the IPI gas pipeline deal with Iran, the Indian Prime Minister Singh visited the US. Following his meeting with the US President Bush, the Joint Statement issued on July 18, 2005, clearly stated that the US would seek agreement from the Congress to make necessary amendments in the US law and will also convince its allies to work towards ensuring civil nuclear energy cooperation with India.²⁸ As a

²⁴ Fatima Raza, "Iran-Pakistan Gas Pipeline," Institute of Strategic Studies, Issue Brief, February 17, 2017, http://issi.org.pk/wp-content/uploads/2017/02/Final_IB_Fatima_dated_18-1-2017.pdf

²⁵ Muhammad Umar Farooq Baluch, "Pakistan-Iran Pipeline Project – A Liberal Perspective," *ISSRA Papers* 4, issue 2 (2012), https://ndu.edu.pk/issra/issra_pub/articles/issra-paper/ISSRA_Papers_Vol4_IssueII_2012/06-Pakistan-Iran-Pipeline-Project-Umer-Baloch.pdf

²⁶ Talmiz Ahmad, "Advantages of Transnational Gas Pipelines," *Hindu*, April 24, 2006, <http://www.thehindu.com/todays-paper/tp-opinion/advantages-of-transnational-gas-pipelines/article18437447.ece>

²⁷ "India Signs Agreement With Iran to Import 7.5 mt LNG," *Outlook*, January 7, 2005, <https://www.outlookindia.com/newswire/story/india-signs-agreement-with-iran-to-import-75-mt-lng/271920>

²⁸ Department of State, United States of America, *Joint Statement by President George W. Bush and Prime Minister Manmohan Singh*, <https://2001-2009.state.gov/p/sca/rls/pr/2005/49763.htm>

result of this understanding, which was an effort to appease the US, India started shying away from the IPI project on the pretext of project finance, guarantee of supply and security of the pipeline.²⁹ In April 2008, the Iranian President Ahmadinejad made a brief stopover in New Delhi reviving the hopes for the progress on IPI gas pipeline project may see the light of the day. However, all such hopes were soon dashed when once again, on flimsy grounds, India boycotted tripartite talks under the American pressure.³⁰

With the passage of time, it has also become clear that India is no longer interested in pursuing the project, especially following its signature of as it has signed other agreements like Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline project. The interesting aspect about this project is that it is backed by the US, unlike the IPI gas pipeline project. This has further raised a question regarding India's claim that it is pursuing independent policies towards Iran.

India-Iran Relations under Modi

During his election campaign and after he assumed power following the 16th Lok Sabha elections held in 2014, Prime Minister Modi announced that his government would focus more on the neighbourhood. On May 22, 2016, he embarked on a two-day visit to Iran. It was also the time when India was looking to revitalise its relations with Iran as part of its "Look West" policy. The visit was significant since it was the first visit to Iran by an Indian prime minister in fifteen years.³¹ The last visit was made by the former Prime Minister Atal Bihari Vajpayee in 2001. In order to create goodwill, prior to his visit, the Indian government released more than US\$700 million in payments due to Iran.³²

Around 12 bilateral agreements were signed during the visit and the most important was in relation to Chabahar port and a Trilateral

²⁹ Rajiv, "Iran Sanctions and India."

³⁰ "Iran Offers India 'Limited Time' to Sign IPI Deal," *Dawn*, September 16, 2009, <https://www.dawn.com/news/913196>

³¹ Ankit Panda, "Long Overdue: India's Modi Visits Iran, Signing Key Agreements, Setting Broad Agenda," *Diplomat*, May 24, 2016, <https://thediplomat.com/2016/05/long-overdue-indias-modi-visits-iran-signing-key-agreements-setting-broad-agenda/>

³² Kabir Taneja, "The Reality of India-Iran Ties," *Diplomat*, July 11, 2016, <https://thediplomat.com/2016/07/the-reality-of-india-iran-ties/>

Transport and Transit Corridor agreement between the Iranian and Afghan Presidents. According to the agreement relating to Chabahar, the contract between India Ports Global Private Limited and Arya Bander of Iran seeks to develop and operationalise two terminals and five berths with cargo handling capacities for 10 years. Another MoU was signed between the Exim Bank and Iran's Ports and Maritime Organisation for the purpose of credit of US\$150 million for Chabahar port. Another MoU was signed between IRCON International Limited of India and the Construction, Development of Transport and Infrastructure Company of Iran whereby the latter would help IRCON to provide its services for the construction of a 500 km long Chabahar-Zahedan railway line.³³

Modi's visit had been preceded by the visit of the Indian Minister of State for Petroleum and Natural Gas in April 2016. During his deliberations, both India and Iran expressed their confidence that they would be able to conclude an agreement regarding the Farzad-B gas field on a priority basis. Both sides also agreed that the Indian companies would invest around US\$20 billion in establishing petrochemical and fertiliser plants in the Chabahar Special Economic Zone.³⁴ These high-level visits were a clear indication of India's interest in reviving its relations with Iran but certain hurdles emerged. Although the Obama administration lifted sanctions on Iran in January 2016, India's improved relationship with Iran is still a matter of concern for the US.³⁵

In June 2017, Modi undertook a two-day visit to the US – his first visit after President Trump took over. In July 2017, Modi embarked on a visit to Israel. He was the first Indian Prime Minister to visit Israel in 70 years. Like the US, Israel has a significant level of influence over India's relations with Iran. Both Iran and Israel see each other as existential threats to each other. India, on the other hand, has managed to retain cordial relations with Israel. Both countries work closely in almost every field from agriculture to the most important field of defence. Israel is the third-largest supplier of arms to

³³ "Modi's Iran visit: Key Takeaways," *Hindu*, May 23, 2016, <http://www.thehindu.com/news/national/Modis-Iran-visit-key-takeaways/article14335305.ece>

³⁴ Rajiv, "Iran Sanctions and India."

³⁵ "Nuclear Sanctions Lifted as Iran, US Agree on Prisoner Swap," *Reuters*, January 16, 2016, <https://www.reuters.com/article/us-iran-nuclear-zarif-idUSKCN0UU0C7>

India.³⁶ Thus, this visit of Modi to Israel was not viewed very favourably in Tehran. This is evident by the fact that after a gap of seven years, in a reaction to Modi's visit to Israel, Iran's Supreme Leader, Ayatollah Ali Khamenei, raised the issue of Jammu and Kashmir twice, comparing the sufferings of the Kashmiri people to those of the Palestinian. "Muslims the world over should also openly support the people of Bahrain, Kashmir and Yemen and repudiate oppressors and tyrants who attacked people in Ramadan" Ayatollah Ali Khamenei was quoted as saying.³⁷ This was a welcome development for Pakistan, in a hope that such support for the Kashmiri people would be more frequent.

In May 2018, President Trump announced the withdrawal from the Joint Comprehensive Plan of Action (JCPOA) signed between Iran and the US, France, Germany, United Kingdom, China and the EU in 2015.³⁸ President Trump was of the view that the agreement fell short of addressing Iran's missile programme³⁹ and not protecting the national security interests of the US and its allies. As a result, the US imposed its first set of sanctions on Iran on August 7, 2018, followed by another set of sanctions on November 5, 2018.⁴⁰ It was expected that other countries would bring their imports of crude oil from Iran to a halt or expect punitive action. This presented a precarious situation for the countries like India which was one of the leading importers of the Iranian oil at that time.

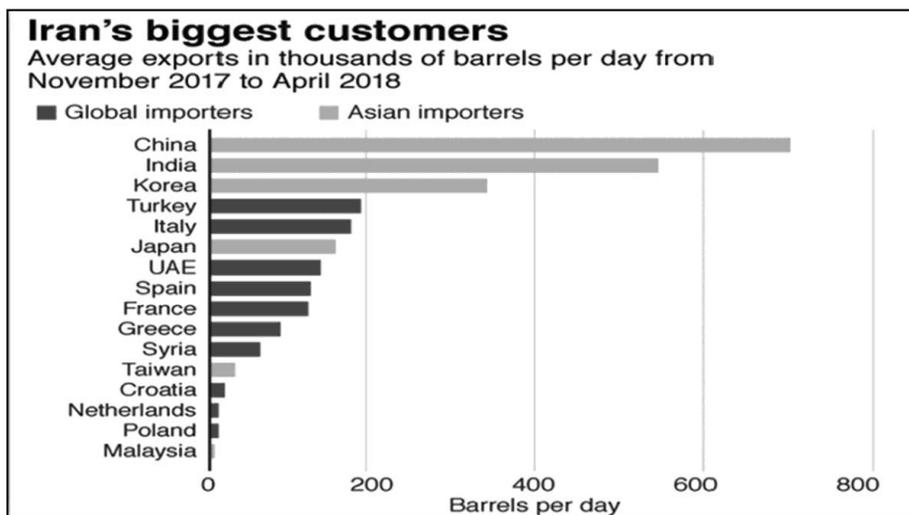
³⁶ "5 Reasons Why Israel Matters to India," *Economic Times*, July 4, 2017, <https://economictimes.indiatimes.com/news/defence/5-reasons-why-israel-matters-to-india/articleshow/59438739.cms>

³⁷ "Iranian Leader Backs Palestine, Kashmir Struggle," *Hindu*, June 27, 2017, <http://www.thehindu.com/news/international/iranian-leader-backs-palestine-kashmir-struggle/article19153869.ece>

³⁸ "Iran Deal: Trump Breaks With European Allies Over 'horrible, one sided' Nuclear Agreement," *Guardian*, May 9, 2018, <https://www.theguardian.com/world/2018/may/08/iran-deal-trump-withdraw-us-latest-news-nuclear-agreement>

³⁹ "What is the Iran Deal and Why Does Trump Want to Scrap It?," *Guardian*, May 9, 2018, <https://www.theguardian.com/world/2018/may/08/iran-nuclear-deal-what-is-it-why-does-trump-want-to-scrap-it>

⁴⁰ Ravi Joshi, "Does Trump Have a Policy on Iran?," Observer Research Foundation, November 26, 2018, <https://www.orfonline.org/expert-speak/does-trump-have-a-policy-on-iran-45704/>



Source: "US Tells Allies to Halt Iran Oil Imports by November," *BBC*, June 26, 2018, <https://www.bbc.com/news/business-44621127>

From August 2018 onwards, India reduced its oil imports from Iran in the hope of getting a waiver from the US sanctions on Iran.⁴¹ New Delhi made it clear to the US that due to its massive energy needs, it was not possible to bring oil imports from Iran to zero by November.⁴² For its part, the US kept ensuring India of alternate energy supplies so that the Indian economy would not be adversely affected.⁴³ Ultimately, the waiver was granted to India along with some other countries to import 1.25 million tonnes of oil a month until March 2019.⁴⁴ The waiver was also granted to India to start its operations at Chabahar port.⁴⁵ However, as a latest

⁴¹ "India Wants US Sanctions Waiver after Cutting Iran Oil Imports: Officials," *Reuters*, October 8, 2018, <https://www.reuters.com/article/us-india-oil/india-wants-us-sanctions-waiver-after-cutting-iran-oil-imports-officials-idUSKCN1MI1GA>

⁴² "Exploring Alternative Oil Supplies So 'Our Friend' India isn't Affected, US official on Iran Sanctions," *Hindustan Times*, September 29, 2018, <https://www.hindustantimes.com/india-news/exploring-alternative-oil-supplies-so-our-friend-india-isn-t-affected-us-official-on-iran-sanctions/story-1GqtrenKNxRtVtIVJi9IaM.html>

⁴³ *Ibid.*

⁴⁴ "US Agrees to Grant India Waiver From Iran Sanctions," *Economic Times*, November 1, 2018, <https://economictimes.indiatimes.com/industry/energy/oil-gas/us-agrees-to-grant-india-waiver-from-iran-sanctions/articleshow/66454042.cms>

⁴⁵ "With US Sanctions Waiver, Chabahar Port Set to Commence Operations by Month End," *Businessline*, November 7, 2018,

development, in April 2019, the US has announced that no further waiver would be given and the countries which were given exemptions earlier will have to cut their oil imports from Iran to zero by May 2, 2019. The Indian foreign ministers' call to her US counterpart asking for some more time to import the Iranian oil has not so far been entertained.⁴⁶

Interestingly, to make matter worse, Iran's recent support for the Taliban – although limited in scope⁴⁷ – would certainly be a matter of great concern for India. Besides, the differences over the Farzad-B gas field⁴⁸ also expose the fragility of India-Iran relationship though it is widely acknowledged that this relationship has its roots in history. Hence, on one hand, India needs Iran for its energy requirements and regional strategic interests and on the other hand, the US is India's main strategic partner. Thus, in the words of an international affairs analyst, Anita Inder Singh, India has been in the past and most likely will “remain on the tightrope.”⁴⁹

Conclusion

In the present day, most of the wars fought around the world involve energy resources. This fact proves that energy security is the most important consideration for the countries in present times. This is also true in relation to India, which is aspiring to become an economic and political global power. To achieve this goal, the Indian government needs to ensure that the country has enough reliable sources of energy – both conventional and unconventional. Thus, from Iran to the US, India is making all sorts of effort to ensure multiple sources of energy. For the US, India has a certain significance in this region. India is important for the US to keep a check on

<https://www.thehindubusinessline.com/economy/logistics/with-us-sanctions-waiver-chabahar-port-set-to-commence-operations-by-month-end/article25438869.ece>

⁴⁶ “India in Middle of Polls, Let Iran Oil Imports Continue: Sushma Swaraj to Pompeo,” *Hindustan Times*, 30 April, 2019, <https://www.hindustantimes.com/india-news/sushma-swaraj-speaks-to-us-on-iran-oil-issue/story-JaLgSuMcnB3hB4SRwRWKAL.html>

⁴⁷ Samuel Ramani, “Managed Instability: Iran, the Taliban and Afghanistan,” *Diplomat*, November 14, 2018, <https://thediplomat.com/2018/11/managed-instability-iran-the-taliban-and-afghanistan/>

⁴⁸ “India to Offer Tehran \$4bn for Farzad-B Gas Field Development,” *Dawn*, April 5, 2018, <https://www.dawn.com/news/1399662>

⁴⁹ Anita Inder Singh, “Walking the Tightrope,” *Hindu*, November 30, 2018, <https://www.thehindu.com/opinion/op-ed/walking-the-tightrope/article25626030.ece>

China particularly its activity in the Indian Ocean. Thus, India has been able to maintain at least some level of cooperation with Iran despite the US pressures.

Hence, in the foreseeable future, energy security will continue to be the main consideration for India to sustain its economic growth. In this context, India has been playing a delicate game of balancing its relationship with energy-rich Iran and the US. Although India claims to be pursuing an independent foreign policy, a closer look indicates that when it comes to Iran, India's foreign policy is not free of the US pressure. The projects that could bring peace in the region like the IPI gas pipeline, unfortunately, could never be realised due to the US pressure. With the Trump administration tightening its noose around Iran, India once again is finding itself in a difficult situation. While India aspires to be recognised as an emerging power, it is perhaps time that India starts taking decisions independent of the US pressure. This might also help in bringing peace and security in the region.