

INDIA-IRAN RELATIONS

HISTORY

During much of the **Cold War period**, relations between the Republic of India and the erstwhile Imperial State of Iran suffered due to their different political interests—**non-aligned India fostered strong military links with the Soviet Union, while Iran enjoyed close ties with the United States.** Following the 1979 revolution, relations between Iran and India strengthened momentarily. However, Iran's continued support for Pakistan and India's **close relations with Iraq during the Iran-Iraq War** impeded further development of Indo-Iranian ties. In the 1990s, India and Iran supported the **Northern Alliance in Afghanistan against the Taliban regime.** They continue to collaborate in supporting the broad-based anti-Taliban government led by Ashraf Ghani and backed by the United States.

From the economic perspective, Iran is the **second largest supplier of crude oil to India** and consequently India is one of the largest foreign investors in Iran's oil and gas industry. In 2011, the US\$12 billion annual oil trade between India and Iran was halted due to extensive economic sanctions against Iran, forcing the Indian oil ministry to pay off the debt through a banking system through Turkey. Iran was until 2006 India's second-largest supplier of crude oil. But it dropped to number seven by the end of 2013-14 importing only 6 per cent. However, India continues to be Iran's second-largest buyer, next only to China.

India has expressed strong opposition against Iran's nuclear programme and whilst both nations continue to oppose the Taliban, India supports the **presence of NATO forces in Afghanistan** unlike Iran.

A highway between **Zaranj and Delaram (Zaranj-Delaram Highway)** is being built with financial support from India. The Chabahar port has also been jointly financed by Iran and India. India alone plans to invest 20 Billion US dollars towards development of **Chabahar port**. India is helping develop the Chabahar Port, which will give it **access to the oil and gas resources in Iran** and the Central Asian states. By so doing, India hopes to compete with the Chinese, who are **building Gwadar Port**, in Pakistan's Balochistan.

There are about 8,000 Iranian students studying in India. India provides 67 scholarships every year to Iranian students under ITEC, ICCR, Colombo Plan and IOR-ARC schemes. Every year around 40,000 Iranians visit India for various purposes.

During the Arab conquest of Persia, many Zoroastrians migrated to the western coast of India and as a result the country has the largest population of Zoroastrians or the Parsi community in the world.. Prominent Indian Parsis include **Dadabhai Naoroji**, Field Marshal **Sam Manekshaw**, nuclear energy scientist **Homi Bhabha**, industrialist **JRD Tata** and the Tata family.

INDIA'S DILEMMA

Buying Iranian oil is more lucrative for Indian refiners, as Iran provides 90 days of credit purchases along with **cheaper freight due to proximity**. This is an offer not provided by other substitute suppliers – Iraq, Kuwait, Saudi Arabia, Nigeria and the US. In the past, India paid in rupees for its oil imports from Iran through UCO Bank. This option is available to India. Oil companies can use UCO or IDBI Bank to route oil payments to Iran. Venezuela another significant supplier is also reeling from sanctions thus increasing India's dependence on Saudi Arabia, UAE, Iraq and its African partners. Given India's increasing energy demands it will be **real challenge for India to do without Iranian oil** which is not only affordable but is in the geographical proximity.

More importantly, regionally **Iran's significance for India as gateway to Eurasia**, its growing role and levers in West Asia and Afghanistan make it difficult for India to abandon Iran under the U.S pressure. Regionally, India needs Iran both for its connectivity projects **INSTC and Chabahar**. Moreover, Russia demand India's continued engagement with Iran.

Due to US sanctions, Tehran cannot sell fertilizers directly to India but only through intermediaries. Indian farmers are **paying 38 per cent more for Iranian fertilizer** than earlier which is also a matter of concern for the Iranian exporter.

India and Iran need to strengthen **bilateral cooperation on regional security issues**. For both countries, the situation in Afghanistan is a matter of acute concern because of its proximity to both of them. In the 1990s, they, along with Russia, had played a role in preventing the complete takeover of Afghanistan by the Taliban. But now, the two countries have diverging views on issues concerning Afghanistan.

Firstly, their views differ on the role of the US in Afghanistan. **India considers the US presence in Afghanistan as a net benefit**. But Iran is of the view that the presence of US troops has only contributed to the deterioration of security and stability in Afghanistan.

Secondly, **India and Iran have differing views on the Taliban**. Like Russia, China and the US, Iran views Taliban not only as a problem in Afghanistan but also as a solution. Iran's position is that it would be impossible to have a stable Afghanistan without a role for the Taliban in governance. India is apprehensive and fears that Taliban returning to power will lead to a spike in extremism in the region.

Iran appreciates India's role in Afghanistan but **simultaneously trying to engage Pakistan in Afganistan**. According to Iran Pakistan is trying to play a positive role in getting the peace process underway and sees extremism as an existential threat. India, of course, does not see Pakistan's role in Afghanistan as being positive. It remains to be seen how **India and Iran address their divergences** on the Afghan conflict in order to strengthen regional security cooperation

CONCLUSION

Isolating Iran is not likely to bring any peace and development in the region. Mitigating hostility is likely to deliver better results not only for the US and Iran but brings greater benefits for the larger international and regional community as well. Given the current volatile situation in Yemen and

Libya combined with major uncertainty in Iraq, Syria and Afghanistan it is extremely important to engage Iran to find long-term solutions to the regional problems through smart, balanced diplomacy and dialogue. Further, India and Iran need to strengthen **bilateral cooperation on regional security issues** and neutralizing the engendering of terrorism in the region.

India-Iran should attempt to **re-energize economic and security cooperation**. Further, India and Iran must coordinate with other countries like the European Union, Russia and China to **find an arrangement to circumvent US sanctions**. On regional issues like Afghanistan, India and Iran need more engagement to gain a better understanding of each other's viewpoints and further cement their partnership.

