

## India – Iran nuclear Deal: Advantages and Limitations for India

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### **Introduction:**

The recent much lauded nuclear deal has reduced the threat of Iran developing nuclear weapons. The deal allows Iran to pursue a nuclear program for peaceful purposes while lifting of economic sanctions, which could benefit several countries seeking to enhance economic ties with Tehran.

India is one of those nations, hoping to benefit both strategically and economically. Both nations are interested in enhancing their relations toward positive growth and development, evident from Iranian Foreign Minister Ebrahim Rahimpour's visit to India in 2013 right after the Joint Plan of Action (JPA) came into force.

### **India's gains from the deal**

With the lifting of sanctions, Iran is now able to export oil to other countries, which would lead to a surplus supply of crude oil. Despite the declining demand for oil, the surplus crude oil is expected to bring down the price of oil. The sanctions impacted India's oil imports from Iran at 7.2 percent of total oil imports in 2012-13, a sharp decline from 10.5 percent in 2011-2012. For Iran, this too is an opportunity to retain its position in the Indian oil market, having slipped from being the second largest exporter of oil to the seventh largest exporter of oil to India.

Following the nuclear impasse and the sanctions, trade between Iran and India deteriorated. The nuclear deal is expected to also boost trade relations between the two countries. At present, India's balance of trade is heavily tilted in favour of Tehran, whereby India imports \$14 billion of oil from Iran and its exports to Iran are only worth \$4.2 billion.

Post April 2015, New Delhi has expressed greater willingness and interest in economic ties with Iran and in developmental projects. Though India always adhered to the sanctions imposed on Iran, in the present circumstances, as White House Press Secretary Josh Earnest said in August, “no longer would countries like India, who have been making a substantial sacrifice over the years, have any interest or incentive to continue to enforce those sanctions against Iran.”

Iran provides India with several opportunities for economic and strategic cooperation. Noteworthy among them is the Chabahar port providing India easier access to Afghanistan and Central Asia. Soon after the deal was struck in July, Iranian President Hassan Rouhani also asked India to invest in \$8 billion in Iranian infrastructure, which included the Chabahar port. The TAPI pipeline is also yet to take shape and so, if the Chabahar Port is developed, India could tap gas from Central Asian States (CAS). India and Iran are also set to play crucial partners in the International North South Transport Corridor Project (INSTC), which would link India to Iran, Russia, Central Asia and Europe.

India has also expressed its desire to supply tracks for Iranian railways and also invest in roads and petrochemicals. The Iranian government is already reported to have requested from India Rs 50,000 crore worth of investment in the infrastructure and construction sector. This has also led the India’s steel ministry to recommend domestic steel makers actively consider setting up steel plants in Iran.

Iran’s Farzad-B block in the Farsi field, which has gas reserves, is an attractive venture for India’s Oil and Natural Gas Corporation Videsh Limited, though there are many competitors for the same. In 2002, an agreement with the National Iranian Oil Company (NIOC) was signed by a consortium, which included Oil and Natural Gas Corporation (ONGC), India Oil Corporation (IOC) and Oil India for this field. During the exploration phase, the consortium invested \$90 million. But this project was stalled due to sanctions imposed by the West, with the contract left mid-way completed.

Not only economic and strategic, the deal can also increase defense ties with Iran. Both countries signed a Memorandum of Understanding in 2001 on defense cooperation. Even before the JPA came into force, in July 2013, the then Defense Minister AK Antony stressed the enhancement of the bilateral defense cooperation between the two countries.

In December 2013, Iran sent its 28<sup>th</sup> flotilla to Mumbai, whereby Iranian navy officials were to meet Indian Navy officers. In August 2015, Iranian Foreign Minister, Javad Sharif, requested India's cooperation to counter the ISIS threat in Afghanistan. Both countries have also been strong critics of the Taliban influence in Afghanistan. With the growing regional influence of Pakistan, which supports the Taliban, Iran and India will need to play bigger roles to counter this influence.

### **The limitations**

However, there are many aspects that India needs to be watchful of in expanding its cooperation with Iran.

Indian manufacturing companies, which have been operating in Iran despite the sanctions, could run into trouble with stiff competition from other countries. With the declining euro, Iran may find the European automobile industry cheaper, with higher quality, than India's.

India is not the only South Asian state seeking opportunities to enhance economic and strategic ties with Iran. Pakistan is seeking to work with Iran to strengthen stability in Afghanistan and also enhance economic ties. Iran and Pakistan in September 2015 considered linking Iran with the China-Pakistan Economic Corridor (CPEC), an integral component of China's Silk Road Project.

India also has to balance its foreign relations with both Iran and Israel. Israel and India share strong defense and intelligence ties. But Israel has also voiced strong opposition to the deal and the lifting of sanctions. Therefore, increased bilateral relations with Iran would need to be more calculated.

In addition, Sunni dominated Saudi Arabia is wary of the growing influence of a Shia dominated Iran in India. Reports suggest that the Secretariat General of the Muslim World League is considering setting up Salafi and Wahabi centre's in India as part of its keenness to improve relations with New Delhi. In 2014, India and Saudi Arabia signed a defense pact, while in 2015, soon after Pakistan refused to provide military support to Riyadh in the Yemen crisis, India and Saudi Arabia committed to mutual cooperation in the fields of trade, IT, communications and education.

With energy security and securing India's strategic and economic interests in the Gulf region being a priority for India, New Delhi must balance its relations with Iran and Saudi Arabia efficiently.

### **Impact on India-Iran Relationship**

The excitement generated by the very prospect of lifting of trade sanctions on Iran, and its positive fallout on an energy-deficient India, has energised India's government machinery looking to revive its commercial ventures in Iran. While oil is the main component of India's trade relations with Iran, India has other commercial interests too. Perhaps, India's long wait for clearance to develop the Farzad-B gas field may soon be over. It was India's ONGC Videsh Ltd. (OVL), the overseas arm of the state-owned Oil and Natural Gas Corporation (ONGC), which had discovered the gas field in 2008. Meanwhile, India is already investing in the development of the strategically-important Chabahar Port.

The Iranian Ambassador to India, Gholamreza Ansari, recently said that India should seize on the opportunity and take advantage of its presence on the ground to be ahead of the Western countries that would start making investments after lifting of sanctions. Ansari also said that the Iranian President Hassan Rouhani had proposed a greater role for India in his meeting with the Indian Prime Minister Narendra Modi on the side lines of the Shanghai Cooperation Organisation (SCO) Summit held recently in Ufa, Russia. Iran has invited Indian investments of about US\$ 8 billion in its infrastructure projects. The Iran nuclear deal has clearly opened up huge opportunities for the two countries to enhance their bilateral trade including in sectors like food items, pharmaceuticals, gems and jewellery, auto components, textiles and medical equipment. In the past, bilateral trade could not be expanded due to problems of transaction through foreign banks.

### **Conclusion**

Nevertheless, the nuclear deal provides India with greater opportunities to enhance economic strategic and military ties with Iran. As Jayant Prasad, an expert on foreign policy puts it, "Collectively, India will have to demonstrate its diplomatic dexterity in managing this difficult balancing act as it rebuilds its relations with Iran." The Iran deal had a wider impact on India on the following ways.

- India's oil import from Iran will increase post lifting of sanctions.
- The Iran deal will help in keeping the oil price low in the oil market that is already in a supply glut. The oil guzzling countries like India will have a reprieve in their ballooning import bill.
- India will now look forward to participate in the development of Farsi block gas fields.
- The commodity trading with Iran will take a hit as dollar will be the currency of the trade post lifting of sanctions. Presently India is paying in INR for the oil imports and Iran is using the INR for procuring commodities Indian commodities.
- The development of the strategic Chabahar port by India on the Arabian Sea will gather momentum. The development of this port will give Afghanistan an alternative trade route bypassing Pakistan.
- India will look forward to a greater role of Iran in stabilizing Kabul after the complete pull out of US troops from the Afghanistan.