A subdued Indo - Iran Bilateral

What is the issue?

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- Iranian president Hassan Rouhani’s recent visit to India was a low-key affair due to the multiple aspects constraining Iran currently.
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- Nonetheless, these engagements are crucial in the long-term perspective.
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How has the Indo-Iranian partnership evolved over the years?

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- While civilisation ties span over 2000 years, in the early years after independence, Iran’s pro-US tilt was a hindrance for engagements with India
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- After the Islamic Revolution of 1979, Iran became a theocracy and a stong pro-Pakistan tilt took shape, which furthered Indo-Iran disconnect.
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- It was only during the late 1990s and the early years of the last decade that both countries achieved a degree of strategic convergence.
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- Notably, India and Iran (also Russia) cooperated in supporting the Northern Alliance in Afghanistan against the Pakistan-backed Taliban’s expansion.
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- In 2003, President Mohammad Khatami was the chief guest at the Republic Day when the New Delhi Declaration involving multiple projects was signed.
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- This euphoria was but halted when the U.S. reprimanded Iran for pursuing a nuclear enrichment programme, and followed it up with sanctions.
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How did things fare in the sanction years?

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- As Iran simply refused to halt its nuclear program, U.S. and other international players started increasing sanctions progressively.
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- Due to international pressure India even voted against Iran in the International Atomic Energy Agency (IAEA), which further hit ties.
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- Significantly, this was also a time when India was pursuing a nuclear deal with the US to kickstart its stalled Nuclear Power Projects (123 pact).
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- As the 2015 Iranian nuclear deal eased sanctions, India increased its oil imports from Iran and also reactivated the stalled Chabahar Port project.
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What is the Iranian Nuclear Deal?

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- The “Joint Comprehensive Plan of Action” (JCPOA or Iranian nuclear deal) was spearheaded by the Obama administration and was signed in 2015.
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- This was a compromise that came with a promise to ease economic sanctions on Iran if it were to give up its nuclear enrichment program.
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- The deal was multilateral with other parties like China, France, Germany, Russia, the U.K., and the EU, and upholds a joint commitment.
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- Further, the JCPOA was unanimously supported by the UN Security Council (Resolution 2231) enabling Security Council sanctions to be lifted.
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- While other countries which are party to the deal remain committed to it, the Trump administration has discredited it and called for its scrapping.
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- Mr. Trump perceives the nuclear deal as inadequate as it doesn’t cover Iran’s missile program and militant activities (Iran’s role in Syria and Yemen).
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- While other parties too feel that these need to be addressed, they perceive JCPOA as a start to create political space for furthering negotiations.
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- The US attitude has caused much uncertainty in Iranian domestic polity and foreign policy and also affected its post sanction economic recovery.
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- Notably, Mr. Rouhani declared recently that Iran continues to comply with

the 2015 nuclear deal, and warned US for its irresponsible attitude.
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How are these reflecting in Iran’s internal polity?

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- In what is being perceived as a reaction to rising prices and growing corruption, a street unrest has been spread to many cities in Iran.
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- This is partly due to economic grievances that had been accentuated due the slower than promised pace of lifiting sanctions (after the nuclear 2015 deal).
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- Considering Mr. Trump’s rhethoric, it is imminent that the US will backout of the deal, which could aggreavate the economic costs for Iran.
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- If Mr. Rouhani failed in his endeavour to deliver economically, it would weaken his position with Iran, which will open up space for radicalists.
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- An increasing legitimacy for radicals within Iran is in nobody’s interest.
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What are the specifics of the current India visit?

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- **Positives -** Despite multiple pressures, India has vouched support for JCPOA, enhancing bilateral consultations connectivity for Afghanistan.
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- Nine MoUs were signed that included - avoidance of double taxation, visa simplification, cooperation in agriculture, medicine, and trade.
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- An interim lease contract for Phase 1 of Chabahar was also issued.
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- Rupee based transaction arrangements have been agreed upon, which could provide an alternative if US sanctions kicks in and hider dollar deals.
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- However, the sanctity of this will need to be tested before private parties on both sides begin to use it.
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- **Negatives -** There has been little forward movement on the big projects that were highlighted when Mr. Modi visited Tehran last year.

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- The negotiations on the long standing Farzad-B gas field remain stuck, with both sides blaming the other for shifting the goalposts.
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- Talk about an aluminium smelter plant and a urea plant to build up Indian investments in the Chabahar free trade zone hasn't progressed.
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- While a railway link to connect Chaubahar and Afghanistan has been mentioned, the economic rationale for the $2 billion investment is missing.
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What is the way forward?

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- Concerns regarding the domestic unrest and the near-term developments in Syria and Yemen have been limiting Iran's foreign engagements.
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- India too has been tries to find a balance ties with Iran on side and the U.S. and Israel on the other, which could prove difficult.
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- So far, trade between the two countries has hovered around $10 billion, with two-thirds of it accounted for in terms of oil imports from Iran.
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- While there is much potential to enhance this, for the present, it looks like both countries are proceeding ahead with modest expectations.
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- Additionally, the uncertainties surrounding the JCPOA provide further justification for adopting a 'wait and watch' approach.
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Source: The Hindu

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