India’s Stakes in Iran-U.S. Tussle

What is the issue?

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- Trump administration is seeking to isolate Iran in the international arena.
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- This has put India in a tight spot, as it has been pursuing deep business and strategic ties with both Iran and the U.S.
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How is India currently engaged with Iran and U.S.?

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- **Iranian Engagement -** Iran has been a major crude supplier to India, and India is the 2nd largest buyer from Iran (China is the 1st).
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- India’s investment in the Iran has been increasing and recently, India committed to enhance its investments in the Chabahar Port by $500 million.
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- India is also in the process of securing Iran’s Farzad –B gas field and has promised to increase its oil off-take from Iran by 25% this year.
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- It has also committed to build a rail road to Afghanistan, a project that will help India circumvent Pakistan and enhance cooperation with Afghanistan.
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- **U.S. Engagement -** U.S. is India’s largest trading and technological partner and India enjoys a big trade surplus with it.
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- Indo-U.S. defence ties have been growing in recently years and strategic engagements between them are strong.
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- But recently, the ties have come under severe strain due to imposition of tariffs on Indian goods and India’s engagements with China and Russia.

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What is the challenge now?

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- Recently, Trump administration, has asked India to cut trade ties with Iran, which is straining India to take a stand.
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- Considering the situation, more than the energy security perspective, it is the geopolitical aspects of the directive that worries India.
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- If India overlooks U.S. pressures and continues engagements with Iran, it risks antagonising an all powerful trade and strategic partner.
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- On the contrary, if U.S. directives are adhered to, Iran might turn hostile to Indian projects on its soil like Chabahar Port and the allied transit corridors.
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- Notably, Iran is already hedging the fallouts of a confrontation with U.S. by seeking to engage with EU and other powers like China.
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How did India navigate the previous such situation?

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- In 2012, the Obama administration wanted to maximise pressure on Iran in order to secure a deal for curtailing Iran’s nuclear program.
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- Back then, Obama had sent tough messages to New Delhi through discreet channels (unlike Trump’s open threats), to reduce ties with Iran.
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- India had then agreed to cut oil imports by 15% subsequently, but asserted its autonomy, by attending a meet with Iranian leaders in Tehran.
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- India even operationalised a ‘rupee-rial’ mechanism, under which Iran could use some of its oil bills with India to procure India goods.
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- While the current government would seek to emulate its predecessor’s line on the issue, the stakes are higher this time.

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What lies ahead?

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- Complex negotiations between New Delhi and Tehran, and New Delhi and Washington are likely in the near future.
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- Considering the increasingly globalised business context, it would be risky for India to face U.S. sanctions as it might affect business considerably.
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- Obliging to the U.S. fully will reduce India’s independent stature, and countries like China and Turkey have already refused to comply with U.S.
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- As India can’t afford to antagonize both Iran and the U.S., it needs to play its card correctly to tide over this diplomatic tussle.
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Source: Indian Express

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