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INDIA'S RELATIONS WITH IRAN IN THE POST-COLD WAR ERA: A GEOPOLITICAL APPRAISAL

Abstract

This paper examines India's relations with Iran in the post-Cold War era. The dissolution of the Soviet Union in 1991 and the corresponding end of the bipolar East-West confrontation distinctly affected the pattern of foreign policy perceptions in the two major states of South and West Asia, namely, India and Iran, respectively. The paper analyses the transformation of India's relationship with Iran from being a distant neighbour in the Cold War to a potential regional ally in the post-Soviet era. It also outlines the strategic, political, and economic rationale behind India's attempts to forge strong ties with the Islamic Republic in the twenty-first century. It highlights the potential areas of co-operation between these two states and at the same time indicates the potential obstacles involved in developing a strong multifaceted relationship.

Among the many peoples and races who have come in contact with and influenced India's life and culture, the oldest and the most persistent have been the Iranians . . . it was out of some common stock that the Indo-Aryans and the ancient Iranians diverged and took their different ways. . . Iran like India, was strong enough in the cultural foundation to influence even her invaders and often to absorb them.

(Jawaharlal Nehru, *Discovery of India*, p.112)

Key Words: India, Iran, Strategic Co-operation, Geo-Politics.

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1. Introduction

The primary goal of this paper is to examine India's relations with Iran during the post-Cold War era. The demise of the Soviet Union in 1991 and the corresponding end of the bipolar East-West confrontation distinctly affected the pattern of foreign policy perceptions in these two major states of South and West Asia, namely, India and Iran, respectively.¹ Located at the juncture of South Asia and the Middle Eastern region, Iran for more than a millennium served as the major conduit for cultural, religious and economic exchanges between India and the Islamic world. This paper will analyse the transformation of India's relationship with Iran from being a distant neighbour in the Cold War to a potential regional ally in the post-Soviet period. The paper examines the strategic, political and economic rationale behind India's attempts to forge strong ties with the Islamic Republic of Iran in the twenty-first century. It highlights the potential areas of co-operation between these two states while at the same time identifies the potential obstacles involved in developing a strong multifaceted relationship. The paper attempts to present a politico-historical analysis of India-Iran relations. It is divided into the following sections: 1. Introduction, 2. Indian-Iranian relations in historical perspective, 3. The end of the Cold War and the strengthening of the India-Iran relationship, 4. Geopolitical and Strategic dimensions of the post-Cold War Indian-Iranian relationship, 5. Indian-Iranian co-operation in the area of energy and trade, 6. The 'War on Terror', Islam and the India-Iran interaction, 7. Regional geopolitics, the United States and the Indian-Iranian relationship, 8. Conclusion

2. Indian-Iranian Relations in a Historical Perspective

The cultural and racial ties between north Indian and the Iranian peoples go as far back as the Aryan invasions of South and Western Asia more than two millennium before the advent of the Christian

¹ The terms South Asia and the Indian sub-continent are used interchangeably in this paper. South Asia includes India, Pakistan, Bangladesh, Sri-Lanka, Bhutan, Nepal and Maldives. Recently, Afghanistan has also been included in this region by its membership of the South Asian Association of Regional Cooperation (SAARC). The US State Department also classifies Afghanistan as part of South Asia.

era. The Aryans of India who worshipped according to the *Vedas* and the Iranians who followed *Avesta*, both called themselves Aryans (noble). Old Persian and Avestan (the language of Zoroastrian scriptures) had close affinity with Sanskrit that was the language of the Indo-Aryans. Historical evidence shows extensive Indo-Iranian interaction in the political and economic spheres before and after the rise of Islam. Furthermore, both the nations have influenced each other in the areas of culture, art, architecture and language. Iranian migrants to the Indian sub-continent were to a degree responsible for the dissemination and propagation of Shiite *Asna' Ashari* (twelver) beliefs in the largely Sunni Mughal Empire² (1526-1757). Furthermore, the Persian language remained the court language of India during the entire Mughal rule.³ Until August 1947, India and Iran also shared a common 947 kilometres long border.

The establishment of British rule over the entire Indian sub-continent during the nineteenth century resulted in effectively severing India's links with the Iran and Central Asia. Iran itself became a victim of the imperial 'Great Game'— the Anglo–Russian rivalry for strategic, political and economic control of South–Western and Central Asia in the nineteenth and early twentieth centuries. Iran, along with Afghanistan,⁴ remained pawns in the imperial manoeuvres of Britain and Russia for regional domination. The Iranian Qajar dynasty remained impotent in the face of these developments which would gradually transform Iran into a virtual semi–colony. The British delineated Iran's entire eastern boundaries with India in the nineteenth century keeping in view their geo-strategic rivalry with Russia. In 1867, Lord Mayo, the British

² The Mughal rule over India was practically brought to an end after the British victory at Plassey in Bengal in 1757. After Plassey, political power over most of Mughal India's provinces had shifted to either local Hindu or Muslim rulers or the British East India Company.

³ Iqtidar Alam Khan, 'The Mughal Empire and the Iranian Diaspora of the Sixteenth Century,' in Irfan Habib (ed.), *Shared Heritage: The Growth of Civilizations in India and Iran*, New Delhi: Sage, 2001, pp. 99-109.

⁴ Afghanistan emerged as a loose tribal confederacy with a king as its head in 1747. A factor that was crucial in the formation of the Afghan state was the almost parallel collapse of the Mughul and Safavid regimes that exercised influence on the area that formed Afghanistan.

viceroys of India, considered the 'containment' of Persia vital in order to preserve the regional balance of power *vis-à-vis* Czarist Russia. The 1873 Iranian boundary delimitation with India supervised by the British Army officer, Sir Frederic Goldsmid, attempted to check alleged 'Persian expansion' in Baluchistan in accordance with British imperial aims.⁵

From the beginning of the twentieth century to the onset of the Cold War, British policy conditioned Indian sub-continent's ties with Iran. However, the demise of British imperialism ushered in an era of decolonization in Asia during the late 1940s. In 1947, Britain partitioned and then granted independence to India. The partition created two states, the predominantly Hindu India and the Muslim majority state of Pakistan carved out of India's northwestern provinces. Pakistan now became Iran's eastern neighbour. Pakistan's assertion of its Muslim credentials in its conflict with India and a solidly pro-Western foreign policy laid the foundations for the development of friendly ties with the US-installed monarchical regime of Shah Mohammed Reza Pahlavi in Iran. Militarily and strategically, Pakistan became a key American ally in the region by the mid 1950s.

The United States envisaged that Pakistan had the 'greatest current potential, next to Turkey, for contributing to Middle East defense.'⁶ In the emerging Cold War between the US and the Soviet Union, Washington supported the establishment of defence relationships between Pakistan, Iran and Turkey as a precursor for a wider anti-Soviet Middle Eastern Defence pact. Pakistan and Iran were to become the core members of CENTO - an American-sponsored alliance system formed in 1959.⁷ While the US, to an extent, facilitated the Iran-Pakistan strategic engagement, India, the

⁵ Peter J. Brobst, 'Sir Frederic Goldsmid and the Containment of Persia 1863-1873', *Middle Eastern Studies*, Vol. 33, No. 2, April 1997, pp. 197-215.

⁶ 'United States Policy toward South Asia' (India, Pakistan, Afghanistan, Ceylon and Nepal) NSC 5409, Secret, February 1954, *Foreign Relations of the United States (FRUS), 1952-54*, Vol XI, Washington D.C.: Government Printing Office, 1983, pp. 1089-1093.

⁷ Central Treaty Organization (CENTO). CENTO was intended to be the Middle Eastern extension of NATO. CENTO was dismantled in 1979.

largest non-Communist state in the 'Third World', under Prime Minister Nehru's leadership turned out to be an advocate of nonalignment in the East-West struggle much to the chagrin of the United States. India's bitter experience as a British colony for over 150 years had inculcated a sense of strong nationalism and anti-colonial mindset in its leadership. Indian decision makers were and continue to be concerned with protecting the two major attributes of sovereignty: territory and independence of foreign policy.⁸

During most of the Cold War era, India's emphasis on non-alignment conflicted with US policy in Asia. Regionally, Indian foreign policy primarily focused on South Asia especially in relation to territorial disputes with Pakistan on Jammu and Kashmir and later with the Peoples Republic of China (PRC) over Aksai Chin and the northeastern borders. Pakistan, China and to some extent the United States were seen as essentially hostile towards India in the 1960s and 1970s. In fact, to offset Pakistan's military alliances with the PRC and the United States, India, under Prime Minister Indira Gandhi (1966-77, 1980-84), turned towards the USSR for military and political assistance.

In geopolitical terms, Iran has remained a major priority state for India since independence. In the Indian perception, Iran is one of the important states located within the 'outer ring' of India's immediate region.⁹ Although India established diplomatic relations with Iran in 1950 and signed a peace treaty with Tehran but Iran's ties with Pakistan through alliances with the Western bloc led by the United

⁸ Kanti Bajpai, 'India: Modified Structuralism' in M. Alagappa (ed.), *Asian Security Practice: Material and Ideational Influence*, Stanford: Stanford University Press, 1998, pp.157-158.

⁹ India conceives its security policy in a series of three concentric rings as a device for the analysis of its national security concerns. The 'inner ring' consists of the subcontinent extending entirely to its northwestern and northeastern borderlands and the adjacent waters of the northern Indian Ocean. The 'outer ring' encompasses the extra-subcontinent setting: the Arabian Peninsula, Iran, Afghanistan, Tibet, Southeast Asia and the southern reaches of the Indian Ocean. The third ring consists of the broader global setting, in particular, the great powers of the world. See Kanishkan Sathasivam, *Uneasy Neighbors: India, Pakistan and US Foreign policy*, London: Ashgate, 2004, p. 14.

States complicated the bilateral relationship. In addition, India's friendly ties with the pro-Soviet regime of Egyptian President Gamal Abdul Nasser and Baathist Iraq further strained Indian-Iranian relations. The Shah bitterly opposed Nasser and his advocacy of Arab nationalism while the Egyptian leader was a friend of Nehru and one of the founders of the Non-Aligned Movement (NAM). Notwithstanding these divergent foreign policy orientations, India and Iran tried to establish correct diplomatic and economic relationship. The Shah visited India in 1959 and even supported India during the 1962 Sino-Indian conflict. Furthermore, Iran was one of the first Asian states to accept India's incorporation of Goa (a former Portuguese colony) in the Indian Union in 1961.¹⁰

Iran gave limited military support to Pakistan in its conflicts with India in 1965 and 1971 on the behest of the United States.¹¹ However, Tehran had maintained its oil supplies to India regardless of its military support for Pakistan. This indicated a growing trend in the Shah's regional policies to assert Iranian national interests and autonomy *vis-à-vis* the United States by forging economic ties with non-aligned states friendly towards the Soviet Union.¹² Similarly, while annoyed by the Iranian backing for Pakistan, New Delhi was also not dissuaded from developing economic ties with Iran.¹³ Iranian interest in developing economic and technical relationship with India underscored India's growing importance as an industrial and technologically advanced state of the 'Third World'. India could offer Iran larger market for its energy exports and a source of technical and commercial collaboration. Moreover, India's image as the pre-eminent regional power in South Asia was further given a boost by its military defeat of Pakistan in 1971 which facilitated the

¹⁰ See Masarrat Husian Zuberi, *A Voyage through History*, Karachi: Hamdard, 1987, p.182.

¹¹ See *Foreign Relations of the United States, Iran 1964-1968*, Vol. XXII, Washington D.C.: Government Printing Office, 1999, p. 295.

¹² See Rouhollah K. Ramazani, *Iran's Foreign Policy 1941-1973: A Study of Foreign Policy in Modernizing Nations*, Charlottesville: University Press of Virginia, 1975.

¹³ See Richard Edmund Ward, *India's pro-Arab Policy: A Study in Continuity*, New York: Praeger, 1992, p. 33. In 1966, the National Iranian Oil Company (NIOC) collaborated with the Government of India in constructing an oil refinery complex in Madras (Chennai).

emergence of Bangladesh (formerly East Pakistan) and its 'peaceful' nuclear explosion in 1974.

India's ties with Iran entered a new phase with the 1979 Iranian revolution that toppled the Shah's regime. Essentially, India viewed this development as an internal affair of Iran. The Indian political and bureaucratic elite visualised the Iranian revolution as Iran's attempt to become autonomous of the influence of the superpowers and a reassertion of identity and national independence.¹⁴ India sent an unofficial delegation to Iran led by Ashok Mehta to establish contacts with the new revolutionary regime in Tehran.¹⁵ The delegation met Ayatollah Khomeini and extended India's good wishes to Iran. The Iranian leadership also appeared to be 'by and large favourably disposed towards India'.¹⁶ However, India-Iranian relations did not improve significantly in the early years of the Iranian revolution due to Iran's verbal support of the Pakistani position on the Kashmir issue. On the other hand, New Delhi's cordial relations with the Iraqi regime of Saddam Hussein and its sympathetic attitude towards the Soviet-installed Afghan regime contributed to the divergence of views between the two states. Notwithstanding these irritants, India and Iran continued to cooperate with each other economically, especially in the energy sphere and to a lesser extent in the industrial sector throughout the 1980s.

3. The End of the Cold War and the Strengthening of the India-Iran Relationship

The disintegration of the Soviet Union in 1991 made the bipolar geopolitical spatial boundaries of the Cold War irrelevant. For the West led by the United States this historical development meant a propitious chance to refashion the international politico-economic order, in terms of spreading liberal political democracy and free-market economics unhindered internationally. An important element

¹⁴ *Annual Report of the Ministry of External Affairs, 1979-80*, New Delhi: Government of India, 1980, pp. 22-23.

¹⁵ Farah Naaz, 'Indo-Iranian Relations, 1947-2000' *Strategic Analysis*, January 2001, Vol. XXIV, No. 10, p. 5.

¹⁶ A.H.H. Abidi, 'Iranian Perspectives on Relations with India', *International Studies* 32, No. 3, 1995, p. 319.

of the post-Cold War United States policy was clearly defined by the Secretary of State, Warren Christopher, as being dependent upon 'our ability to open foreign markets and promote free trade and investment'.¹⁷ In this post-Cold War world, a geoeconomic competition between great powers started to take precedence over the past geopolitical strategic rivalry of the Cold War. In South and West Asia, the Soviet collapse heralded a reformulation of foreign policy objectives in the major states of the region like India and Iran. Most importantly, the Cold War commonality of interest *vis-à-vis* the Soviet Union that had played a vital role in forging Iran–Pakistan relations no longer existed.

In the early 1990s, Iran pursued a pro-active regional foreign policy by improving ties with nearly all of its neighbours. It also improved bilateral relationship with China and India in order to offset the country's rather unstable relations with the West European states allied with the US. The conduct of post-Ayatollah Khomeini foreign policy increasingly reflected a rational calculation of national interest rather than the dictates of the Islamic ideology. Moreover, Iran was keen to establish its politico-economic influence in Central Asia and Afghanistan to offset perceived American moves in the region directed against the Islamic regime. The U.S., since 1990, continued to emphasise the 'containment' of the allegedly 'rogue' regime in Iran and Iraq (Iraqi element in this strategy was eliminated with the Anglo-American occupation of that country in March 2003).

The United States' interest in the economic and strategic penetration of Central Asia coalesced with the Pakistani strategic goal of becoming a regional power by extending its links in that part of the world as well. Pakistan's policy took into account the U.S. antipathy towards Iran's attempts to secure a niche in Central Asia. By the mid-1990s, Pakistan-Iran relationship had become increasingly tenuous and unpredictable despite remaining cordial on the surface. Some of the important factors that acted to create mutual apprehension between Islamabad and Tehran included Pakistan's

¹⁷ Warren Christopher quoted from Kegley, Charles W. and Wittkopf, Eugene R., *American Foreign Policy: Pattern and Process*, (5th Edition), New York, St. Martin's Press, 1996, p. 546.

support for the anti-Iranian Taliban in Afghanistan, growing sectarian violence against Pakistan's Shiite minority by Sunni extremists linked with the Pakistani armed forces' Interservices Intelligence Directorate (ISI) and Islamabad's desire to promote alternative routes for oil and gas pipelines from the Central Asian states through Pakistan which by-passed Iran. Conversely, the regional geopolitical environment tended to favour the strengthening of Indian-Iranian relations. Both Iran and India were apprehensive of Pakistan's involvement in Afghanistan and its attempt to reach out to former Soviet republics in Central Asia.¹⁸

Indian decision-makers perceived Iran as an important link in the region for enhancement of India's influence in Afghanistan, Central Asia and the Caucasus. India did not have any fundamental conflict of interest in the geopolitical, economic or religious sphere with Iran. In New Delhi's geostrategic calculations, strengthened ties with Iran could have potentially beneficial outcomes in the following areas:

- Iran could serve as an important gateway and transportation route for India's trade with Central Asia and the Russian Federation
- With vast deposits of natural gas and 10 % of world's petroleum reserves,¹⁹ Iran could offer India cheap and relatively easily accessible energy resources.

The basis for enhancing Indian-Iranian relations in the 1990s were laid by a series of high-level contacts between the two countries which culminated in the visits of the Indian Prime Minister Narasimha Rao to Tehran in September 1993 and the then Iranian President Ali Akbar Hashemi Rafsanjani's to India in April 1995. In April 2001, Indian Prime Minister A.B. Vajpayee visited Tehran and stated that a 'new chapter' had opened in the bilateral relationship. The Iranian Foreign Minister Kamal Kharrazi hailed the visit as a 'turning point' in India-Iranian relations.²⁰ These visits were

¹⁸ Bhabani Sen Gupta, 'India in the Twenty-first Century,' *International Affairs* (UK), Vol. 73, No. 2, April 1997, p. 308.

¹⁹ United States Energy Information Administration (EIA), *Country Analysis Briefs: Iran*, March 2005.

²⁰ *British Broadcasting Corporation* (BBC) Summary of World Broadcasts, Middle East Service, 13 April 2001.

followed by the visit of the Iranian President Muhammad Khatami in January 2003 to New Delhi at which time the two nations signed a number of agreements including a 'Memorandum of Understanding on the Road Map to Strategic Cooperation'. These high-level contacts underlined the growing convergence of interests between Iran and India in the twenty-first century. They also foreshadowed the emerging linkages amongst countries of South and West Asia and a desire on their part for breaking out of their regional bloc molds. India's relationship with Iran signified the determination of India to focus its interests outside South Asia as one of the elements of its geostrategic policy that seeks to establish its credentials as an emerging power while for Iran this relationship enables it to reap the economic and strategic advantages of allying with the second largest state of Asia. By doing so, it assists Iran in outmanoeuvring US efforts to isolate it in the region.

4. Geopolitical and Strategic Dimensions of the Post-Cold War Indian-Iranian Relationship

India has been aspiring to project itself as a regional power in the post-Cold War period. Such aspirations are not without basis. The US National Intelligence Council perceives the emergence of China and India as the 'new major global players' in the twenty-first century.²¹ In this context, Indian policymaking elite aims to facilitate high economic growth, expand military capability and promote latest technologies. India's confidence in its role in the twenty-first century can be gauged from the remarks of Prime Minister Manmohan Singh to the visiting Chinese Prime Minister in April 2005 that 'India and China can reshape the world order together.'²²

As an emerging power, India has played a pro-active role in Southwest and Central Asia since the collapse of the Soviet Union. In this regard, India's interests have on occasions converged with Iranian objectives on a variety of regional issues. In South-western Asia, India and Iran remained apprehensive of Pakistan's backing of

²¹ See *Mapping the Global Future: Report of the National Intelligence Council's 2020 Project*, Washington D.C, Government Printing Office, December 2004.

²² See 'India and China can reshape the world order', *The Washington Post*, 11 April 2005.

the Wahhabi-influenced Afghan groups in post-Soviet Afghanistan. New Delhi and Tehran opposed Pakistani support for the Taliban movement in Afghanistan during 1994-2001. India, Iran and Russia were the major supporters of the anti-Taliban Northern alliance in the late 1990s. In the post-Taliban era also India, along with Iran, recognized the US-installed Karzai regime and both countries have developed political and economic relationship with this entity. Similarly, India and Iran participated in Bonn Conference held under the auspices of the US and the UN for establishing a government in Afghanistan after the US-led invasion of that country had resulted in toppling of the Taliban. India pledged US\$ 100 million worth of aid to the Karzai regime while Iran has also pledged its co-operation to assist this entity with economic and commercial incentives.²³

In Central Asia, India has forged firm political and economic ties with Uzbekistan Tajikistan, Turkmenistan and Kazakhstan. New Delhi has also established military relationship with Tajikistan by establishing a military base in this former Soviet republic. This base is maintained with the co-operation of Russian forces stationed in this country.²⁴ Iran has been active in Tajikistan by providing the Tajik government with economic assistance.²⁵ The common geopolitical objectives of India and Iran in Central Asia and Afghanistan include:

- A desire to seek a stable government in Afghanistan which is not a threat to its neighbours;
- Strengthening regional co-operation in order to enhance economic and trade relationships in the region. Both India and Iran maintain close ties with Russian Federation and are responsive to accommodating Moscow's interests in Central Asia;
- Iran and India oppose interference by extra-regional powers in the affairs of regional countries. Neither Iran nor India, despite its growing ties with the US, is comfortable with

²³ *The Statesman*, 20 October 2001 for Indian aid commitment to Afghanistan. For Iran's commitment, see the statement of Foreign Minister Manuchehr Mottaki during his visit to Kabul. *Islamic Republic of Iran News Agency (IRNA)*, 29 December 2005.

²⁴ *Jane's Defence Weekly*, 10 December 2005.

²⁵ Visit of the Tajik Parliamentary speaker to Iran, *IRNA*, 02 January 2006.

American military presence in Afghanistan and Pakistan. Thus, in geopolitical terms, both states have some commonality of interests as far as the Pakistan-Afghanistan region is concerned.

India and Iran have shared similar perceptions on various international issues. They opposed the Anglo-American occupation of Iraq in 2003. The two countries have emphasized over the inviolability of sovereignty and territorial integrity of states in view of the US interventionist policy in South and West Asia.²⁶ In the area of defence co-operation, India has been tapped by Iran to provide it with military assistance over the last few years. Iran is militarily much weaker than its immediate neighbours such as pro-US Turkey and Pakistan while Iraq and Afghanistan are under de facto US/NATO occupation. The preponderance of US/Western power in the Southwestern Asian and Persian Gulf regions has motivated Iran to enhance its defence capabilities. It has tried to procure weaponry from diverse sources which include Russia, China and North Korea. There have been reports that India and Iran signed a strategic understanding in 2003 for institutionalising the contacts between the armed forces of the two countries.²⁷ Indian and Iranian navies conducted joint manoeuvres and exercises in the Arabian Sea in 2003. Such events are particularly important for Iran as most Gulf Arab states and Pakistan are core US allies. By signalling its desire to conduct military manoeuvres with an aspiring regional power like India, Tehran intends to show to its neighbours that it has the capability to breakout of the US 'containment' strategy. The US has established numerous naval facilities on Pakistan's coastline that borders Iran in proximity to the Straits of Hormuz. Moreover, Pakistan is a key US ally in curbing maritime terrorism. It has joined the US/NATO Coalition Maritime Security Force (CMSF) in the Persian Gulf to monitor terrorist movements. The Musharraf regime is also an active participant in the US conceived Proliferation Security Initiative (PSI) that seeks to curb shipment of Weapons of

²⁶ See text of 'New Delhi Declaration' 25 January 2003, available on www.meade.nic.in, accessed on 25 October 2007.

²⁷ See International Institute of Strategic Studies (IISS), *Military Balance, 2004-2004*, London: Oxford, p. 36; 'Strategic Shift in South Asia', *Jane's Foreign Report*, 30 January 2003, pp. 4-5.

Mass Destruction (WMD) to allegedly 'rogue' states and terrorists. Iran is considered one of the foremost 'rogue' states in the current US perceptions. The Bush administration regards the Islamic Republic as one of the major sponsors of terrorism and a part of the so-called 'axis of evil'. Thus, the growing Pakistani-US nexus in the Persian Gulf may have acted as a factor in motivating India to show greater keenness in having a strategic relationship with Iran. However, it has to be seen whether India's engagement with Iran has solid foundations or it is based largely on symbolic measures. This is especially relevant taking into consideration the potential that this relationship might have in destabilizing the emerging US-India 'partnership.'

5. Indo-Iranian Co-operation in the Area of Energy and Trade

The bilateral commercial and trade relationship between India and Iran has expanded significantly over the last ten years. The two states have formed significant economic and commercial links in the areas of agriculture, information technology, petrochemicals and telecommunications. During President Khatami's visit to India in 2003, Iran proposed a joint investment of \$US 800 million by Indian and Iranian companies to boost bilateral economic links.²⁸ Bilateral trade between the two countries totalled nearly \$US 2.7 billion in 2003-2004. However, most of the trade continues to be dominated by the hydrocarbon sector.²⁹

Energy remains a key area in the further development of India's ties with Iran. For India, access to cheap and reliable energy sources is vital if it is to achieve its status as an Asian power. According to the 'New Delhi Declaration,' Iran with its abundant energy resources and India with its growing energy needs as a rapidly developing economy are 'natural partners'.³⁰ High growth in India's Gross

²⁸ 'Iran Proposes Joint Investment of US\$ 800 million,' *Indian Express*, 25 January 2003.

²⁹ *India News Online*, 29 March 2004, available at <http://news.indiamart.com/news-analysis/iran-india-trade-to--1435.html>, accessed on 24 November 2005.

³⁰ Donald Berlin, 'India-Iran Relations: A Deepening Entente', *Special Assessment*, Asia-Pacific Center for Security Studies, Hawaii, October 2004, p. 3.

Domestic Product (GDP) is instilling plans for major infrastructure investments to keep up with increasing demand especially in the areas of electric power and natural gas. The Government of India intends to meet the growing demand for energy by enhancing output of nuclear energy coupled with increased imports of natural gas. In this context, Iran is seen as one of the main potential suppliers to meet India's long-term energy requirement for petroleum and natural gas.

India is the world's sixth largest energy consumer.³¹ Oil accounts for about 30% of India's energy consumption while consumption of natural gas has risen faster than any other fuel in recent years.³² From only 0.6 trillion cubic feet (Tcf) a year in 1995, natural gas use was nearly 0.9 Tcf in 2002 and is projected to reach 1.6 Tcf in 2015.³³ Indian crude oil import dependency is projected to rise to about 80% by 2010.³⁴ The country's domestic natural gas supply is not likely to keep pace with demand. India is therefore seeking external sources to augment its domestic supply. It has shown keen interest in purchasing natural gas from Iran. In a Memorandum of Understanding (MoU) signed in 2005, India intends to purchase 5 million tons of liquefied natural gas (LNG) from Iran over the next 25 years. These shipments would be worth approximately US\$ 22 billion.³⁵ Another possible option to supply natural gas to India is via pipeline from Iran's South Pars field, either subsea or through Pakistan, to Western India. Iran has an estimated 812 Tcf of natural gas reserves. These account for over 16% of world's gas reserves-second largest in the world after Russia.

India and Iran have been discussing the possibility of an overland gas pipeline since 1993. However, India's conflictual

³¹ United States Energy Information Agency, *Country Brief - India*, October 2004.

³² Abbas Maleki, 'Iran, India and the Security of Energy', in Jasjit Singh (ed.), *Oil and Gas in India's Security*, New Delhi, Knowledge World, 2003, p. 63.

³³ United States Energy Information Agency, *Country Brief - India*, October 2004.

³⁴ *Middle East Economic Digest*, 28 April 1995, p. 24.

³⁵ See Subash Vohra, 'India, Pakistan, Iran to launch Negotiations on Natural Gas pipeline' *Voice of America*, 26 November 2005.

relations with Pakistan have acted as an obstacle to the realisation of this proposal. Since 2002, with the easing of India-Pakistan relations, the pipeline option has again been reinvigorated. In this context, India has conducted several discussions with Pakistan and Iran for the construction of the 2,670 km long pipelines, which would cost US\$ 3.5 billion to construct.³⁶ Pakistan's interest in the proposal is due to the potential royalties it could generate for its almost bankrupt economy. It is estimated Pakistan could reap as much as US\$ 700 million transit royalties from this gas pipeline transiting its territory. The Pakistani government has reportedly presented written guarantees channelled through Iran to India for the security of the pipeline.³⁷ India, Iran and Pakistan have conducted trilateral negotiations over the implementation of this proposal since 2004. Recently India-Iran joint working group (JWG) on energy stressed its commitment to build this pipeline with gas deliveries to India starting in 2010.³⁸ Owing to the improvement in India-Pakistan ties, the pipeline proposal is certainly a viable option but a number of political impediments remain for the realisation of this scheme. These are:

1. *US opposition to this pipeline.* The US has indicated its apprehension towards this project as it has the potential to benefit Iran's economy. Oil and gas revenues still provide 80% of Iran's export earnings and around 40-50% of government revenue.³⁹ The Iran-Pakistan-India (IPI) gas pipeline could provide Iran with a stable long-term source of income. During a visit to New Delhi in March 2005, the US Secretary of State Condoleezza Rice reportedly linked US interest in supplying civilian nuclear reactors to India with New Delhi's disengagement with Iran on numerous areas including energy.⁴⁰ Even the Indian Prime Minister indicated

³⁶ Islamic Republic of Iran News Agency (*IRNA*), 21 December 2005.

³⁷ *The Statesman*, 06 May 2001.

³⁸ *Gulf Daily News*, 30 December 2005.

³⁹ Economist Intelligence Unit, *Iran*, 14 April 2004.

⁴⁰ Siddharth Varadarajan, 'India-Iran Relations: A farewell to the gas pipeline? Has the project been suspended following US pressure?' *The Hindu*, 23 July 2005.

some reservations on this project. In an interview to the *Washington Post* he indicated whether 'any international consortium of bankers would underwrite' this project.⁴¹ On 4 January 2006, a US State Department official again reiterated that the US remains opposed to the Iran-Pakistan-India gas pipeline.⁴² Moreover, during a visit to the US in January 2006, the former Pakistani Prime Minister Shaukat Aziz told US newsmen that Pakistan was also searching for alternate gas supply sources including a pipeline from Turkmenistan via Afghanistan to Pakistan and India and an undersea pipeline from Qatar.⁴³ However, the US is believed to be lessening its opposition to the proposed Iran-Pakistan-India pipeline. According to media reports this project was discussed by President Bush with the heads of governments of both to India and Pakistan during his visit to South Asia in March 2006.⁴⁴

2. *Balochistan Insurgency*. The pipeline would pass through Pakistan's Balochistan province adjacent to Iran's *Sistan va Balochistan* province. Pakistani Balochistan has become increasingly unstable over the last three years. The Baloch tribes have waged a low-level insurgency in the province in order to compel the US-supported Pakistani military regime to concede greater autonomy to the province. Balochistan was forcibly incorporated with Pakistan in 1947-48. The Balochis were against the partition of India. They have resented their allegedly 'second-class' status in Pakistan ever since 1947. The Balochi claim that the Punjabi dominated Pakistani military is marginalizing the Baloch in their own province by changing the ethnic composition of the province through resettlement of a large number of Punjabis in the province. Other Balochi grievances include construction of the Gwadar port with the assistance of China without the involvement of Balochi people and inadequate payment for gas and lack of economic development.

⁴¹ *The Washington Post*, 20 July 2005.

⁴² Mazhar Qayyum Khan, 'IPI Pipeline: Dim Prospects', *The Nation*, 10 January 2006.

⁴³ *The News*, 24 January 2006.

⁴⁴ Commentary, *Voice of Russia*, Moscow, 06 March 2006.

3. *Future Indo-Pakistan Conflict.* The risk remains that in any future India-Pakistan conflict, Pakistan could cut the gas supply to India.

During President Khatami's visit to India in January 2003, the India-Iran 'Roadmap to Strategic Cooperation' included India's agreement to assist Iran in constructing the Chah Bahar Port and road links between Iran and Afghanistan, which would link up with Central Asia. In this context, the North-South International Transportation Corridor agreement signed in September 2000 by India, Iran and the Russian Federation would also complement India plans to forge firm economic links with Central Asia in a more cost effective manner. Earlier in April 1995, India, Iran and Turkmenistan signed an agreement aimed at establishing a 'transport corridor' linking Central Asia to India through the Iranian road-railway network.⁴⁵ With the realisation of these plans, Pakistan's ability to hinder India's trade and commercial relations with Iran and Central Asia would become less effective.

Iran is likely to remain an important element in Indian policy toward the 'Middle East' in the twenty-first century. This is especially true in the context of Iran's substantial energy resources. India and China are likely to become the largest consumers of oil and natural gas requiring, respectively, approximately 30 quadrillion and 100 quadrillion Btu of energy to sustain economic growth.⁴⁶ In this regard, India has shown a desire in not only cultivating Iran as a source for energy but it has forged cordial ties with Iran's Arab rivals in the Persian Gulf such as Saudi Arabia and the Arab Sheikdoms. Nearly 1.5 million Indian workers are employed in the Gulf and are a source of important foreign exchange earnings for India. Saudi Arabia is a major source of India's petroleum imports. The total bilateral trade between Saudi Arabia and India was approximately US\$ 5 billion in 2005 of which US\$ 4 billion accounted for petroleum imports alone.⁴⁷ The Saudi king was a special guest of the Indian government on India's Republic Day on

⁴⁵ *Middle East Economic Digest*, 28 April 1995, p.24.

⁴⁶ Francine Frankel and Harry Harding (eds.), *The India-China Relationship: What the United States Needs to Know*, Washington D.C.: Woodrow Wilson Center, 2004, p.158.

⁴⁷ *The News*, Islamabad, 26 January 2006.

26 January 2006. This honour was also given to President Muhammad Khatami during his visit to India in 2003. Thus, India has kept its options open concerning its energy diplomacy in West Asia.

6. The 'War on Terror', Islam and the India-Iran interaction

In the formative years of the Islamic Republic, the Iranian leadership occasionally showed Iran's solidarity with India's large Muslim population. It also backed Pakistan's stance on Kashmir and because of these forays into India's domestic affairs, the Indian-Iranian relationship was strained occasionally. However, in the post-Cold War period Pakistan's regional policies, especially in relation to Afghanistan, Central Asia, and its domestic Shiite-Sunni sectarian conflict impinged on Iran's wider security interests. In addition, the Bush administration's decision to forge an enhanced security relationship with Pakistan in the 'War on Terror' after September 11, 2001, tilted the balance of power on Iran's eastern frontier in favour of the US. The US has established firm military and intelligence presence on Pakistani territory including right to conduct special intelligence operations against alleged 'terrorists'.⁴⁸ This change may have acted as a factor in motivating Iran to bolster its ties with India. Likewise, despite having close relations with Washington, India also perceived the US-Pakistani engagement with apprehension and seemed interested in deepening India-Iranian co-operation.

The ruling Pakistani military *junta* had declared Pakistan as a 'frontline state against terrorism' and Islamic extremism. Domestically, the military, at least on the surface, downgraded the role of Islam in national politics. By co-operating with Washington in Afghanistan, the Pakistani military essentially regained its position as the United States' closest ally in the wider Islamic world, as was the case during the Cold War. Its tacit backing of the Anglo-American occupation of Iraq and intelligence-sharing on Iran enhanced its links with the US establishment.⁴⁹ New Delhi, although

⁴⁸ *Air forces Monthly*, December 2005. According to this journal the CIA's Special Operations Unit has been allowed to use Predator drones to 'neutralize' terror suspects on Pakistani territory by the Musharraf regime.

⁴⁹ See 'Pakistan promises cooperation with IAEA,' *The Nation*, 11 February 2004.

remaining sympathetic to Washington's goals in the 'War on Terror,' perceives that Pakistan may be pursuing two-pronged strategy that aims to continue to back the 'freedom struggle' in Kashmir by using the 'Islamic' militants while at the same time selectively cooperating with the US forces in Afghanistan and to some extent assisting in the containment of Iran. Thus, India remains critical of Washington's rather lenient view of Pakistan's interference in Kashmir, which does not directly impinge on US strategic interests in the region.

India and Iran are not members of the Bush administration's international coalition in the so-called 'War on Terror' and persist in pursuing relatively autonomous foreign policy initiatives. In fact, both the countries have pledged to enhance co-operation against international terrorism, extremism and illegal narcotics.⁵⁰ India and Iran have both faced terrorist attacks from Wahhabi-influenced groups allegedly linked with Pakistan's ISI. Several Iranian diplomats were killed in Pakistan by the ISI linked extremist Wahhabi group *Sepah-e-Sahaba* in the late 1990s. This group was ideologically linked to another militant outfit *Lashkar-e-Tayyiba* fighting Indian troops in Jammu and Kashmir.⁵¹ These Sunni militant factions consider Pakistan's 20 % Shiite population as apostates.

Apart from geopolitical consideration Iran is a major Islamic state with a potential to back India's effort to forge greater ties with the wider Islamic world. India has the second largest Muslim population in the world. Moreover, India under the Congress-led government of Prime Minister Manmohan Singh has emphasised India's Islamic and cultural links with Iran. During a visit to Washington in July 2005 Prime Minister Manmohan Singh observed that 'we have strong civilizational links with Iran. Also I would say Iran is the largest Shia Muslim country in the world. We have the second largest Shia population in our country...and I do believe that part of our unique history we can be a bridge'.⁵² The Indian Foreign Minister was the first high official of a major Asian power to congratulate the election of the 'hardliner' Mahmud Ahmedinejad as

⁵⁰ *Times of India*, 15 April 2001.

⁵¹ Rizwan Hussain, 'Chapter 5', *Pakistan and the Emergence of Islamic Militancy in Afghanistan*, London: Ashgate, 2005.

⁵² 'Interview: Prime Minister Singh', *The Washington Post*, 20 July 2005.

the new President of Iran by visiting Tehran in September 2005. India's projection as having the largest minority Muslim population in the world has also played a part in New Delhi's Iran policy. India's former Foreign Minister Natwar Singh was supportive of Iran's position in the International Atomic Energy Agency (IAEA) and had emphasised that Indian policy *vis-à-vis* Iranian nuclear programme had to take into account 'the sentiments of India's 150 million strong Muslim population'.⁵³ These comments are indications of the fact that India's domestic policy *vis-à-vis* its Muslim population would be a factor in determining the long-term foundations of the Indo-Iranian relationship.

7. Regional Geopolitics, the United States and the Indian-Iranian Relationship

The United States and Pakistan remain the two most important elements that can influence the future contours of the Indian-Iranian relationship. The US increasingly perceives India as an emerging power and a potential 'strategic partner'. In the US perception, India is a large market with an emerging middle class estimated to be over 200 million out of a population of 1.1 billion - second largest in the world.⁵⁴ It has a growing economy; indigenous technological capability and its armed forces are the fourth largest in the world. For the US, India is not only a source for investment and but a future potential counterweight to China's growing military and economic power in Asia.

The visit of the US President George W Bush to India during 1-3 March 2006 sealed a historic long-term Indo-US partnership in the nuclear and strategic areas. This 'partnership' will have far reaching reverberations on Asian geopolitics. The US intends to sell India several fast-breeder nuclear reactors along with sophisticated military technology including F-16 and F-18 fighter planes. For India, the US is not only emerging as an important source of nuclear technology and weaponry but is a long-term ally with which it shares 'democratic' and 'secular' values. Indian and US interests seem to be

⁵³ *PINR*, 27 November 2005.

⁵⁴ Pranab Mukherjee, 'India's Strategic Perspectives', *Indian Defence Review*, April 2005, p. 20.

converging especially in relation to the 'War on Terror' and nuclear non-proliferation. Moreover, despite reservations about the Indo-US strategic nexus from India's Communist parties and other left-wing forces, the Indian political and business elite views the newly founded Indo-US 'commonality of interests' in the defence, business and strategic spheres as beneficial for both the countries.

Notwithstanding India's occasional apprehensions about the US unilateralist and interventionist policies, New Delhi now uses expressions like 'new strategic framework', 'partnership' and 'enhanced defence cooperation' to describe Indo-US relations.⁵⁵ The Bush administration has been instrumental in motivating an India and Pakistan *rapprochement*. The US motives behind this measure are based on long-term American security and strategic objectives in Southwest Asia. Cordial Indo-Pakistan relationship will enhance Pakistan's capability to assist the US in its 'War on Terror' and has the potential to woo the Pakistani military away from its co-operation with the Chinese. In the US perception, a co-operative Indo-Pakistan interaction could lessen Chinese influence in South Asia. However, despite the thaw in India-Pakistan relations, the Pakistani military has still not relinquished its claim on the Indian-administered state of Jammu and Kashmir. The US backed peace process faces considerable obstacles and it cannot be regarded as a foregone conclusion. Nevertheless, retaining a strong strategic relationship with US is a foreign policy priority for India primarily in order to balance Pakistan (a core US ally) and China (a future Asian superpower).

India's embrace of the United States has certainly not influenced New Delhi's firm relations with its old ally Russia. India remains amenable to Russia's emphasis on a 'multipolar world'. The Indo-Russian relationship remains a vital element in India's foreign policy as this enable New Delhi to counter the US-Pakistan alliance especially in the context of South Asia. New Delhi was receptive in the recent past to the idea of strategic triangle among Russia, India and China to oppose US influence in Asia.⁵⁶ Chinese, Russian and Indian officials have frequently acknowledged that the three

⁵⁵ *Agence France Press*, 10 November 2001.

⁵⁶ Martin Malek, 'Russian Policy toward South Asia: An Update', *Asian Survey*, Vol. XLIV, No. 3, May/June 2004, p. 385.

countries are very close to achieving genuine strategic partnership.⁵⁷ In this context, Russian and Indian officials have been generally supportive of Tehran's interests on the international political arena, especially when it comes to the current debate about the Iranian nuclear programme.⁵⁸

The United States has been putting pressure on India to curtail its ties with Iran. The US, along with its European partners, remains committed to stop Iran's nuclear energy programme, which they allege is a cover to build nuclear weaponry. India had been generally supportive of Iran's right to pursue peaceful use of nuclear energy but under increasing pressure from Washington the Congress-led administration supported a US backed IAEA resolution on 24 September 2005 that condemned Iran's for not complying with the Nuclear Non-Proliferation Treaty (NPT). India's sudden change of policy was condemned by Tehran. Moreover, it received severe criticism in India especially by the Communist Party of India (CPI) - a coalition partner of the ruling Congress Party.⁵⁹ The left-wing parties, which support the Manmohan Singh coalition government, see Iran as a rallying point for their anti-imperialist stance and have issued strong warning to the government against India abandoning a fellow member of the Non-Aligned Movement (NAM) in favour of what they perceive as 'American imperialism.'⁶⁰ According to Indian media reports, this abrupt change in policy by India was a result of 'New Delhi's 'embarrassing servility' to Washington after Prime Minister Manmohan Singh and President George Bush signed nuclear deal in July 2005 that is supposed to ease India's energy concerns.'⁶¹ India's backing for the US in the IAEA was seen as a *quid pro quo* in return for Washington supplying India with the latest civilian nuclear technology. However, New Delhi downplayed the importance of the vote. In fact, the Iranian Foreign Minister, Manuchehr Mottaki, after discussions with Indian officials,

⁵⁷ Russia and India Join Efforts to Become Strategic Partners, *Pravda*, 12 September 2005.

⁵⁸ *Pravda*, 12 September 2005.

⁵⁹ *Asian Tribune*, 29 September 2005.

⁶⁰ P. R. Kumaraswamy, 'India's Interests Collide over Iran', *Power and National Interest* (PINR), 28 October 2005.

⁶¹ Shobori Ganguli, 'Under Pressure', *The Pioneer*, 29 November 2005.

commented that 'India committed a tactical mistake and made a decision which New Delhi later noticed was wrong'.⁶²

Indian officials have repeatedly indicated that they remain opposed to the Iranian nuclear case being referred to the UN Security Council. Referral of Iran's alleged violation of the NPT to the UN has been a major policy plank of the Bush administration's multifaceted agenda aimed to put pressure on the Iranian government. In fact, India has tried to mediate between Iran and the US on the nuclear issue. Indian diplomacy on the behalf of Iran averted a vote on the Iran nuclear issue at the IAEA meeting in November 2005.⁶³ Notwithstanding growing US-Indian ties, the US has used the threat of sanctions to pressure India to curb its relations with Iran. In December 2005, it imposed sanctions on two Indian firms under the US Iran Proliferation Act 2000 for supplying chemicals to Iran.⁶⁴ The US has signalled its intentions of imposing sanctions on any foreign company investing more than \$20 million in Iranian hydrocarbon sector. India's ties with Iran are also unnerving another key US ally in Middle East - Israel. Israel is concerned that India could possibly divert Israeli military technology to Iran. In recent years, Israel has become India's second largest source of imported weaponry, selling such specialized equipment as unmanned aerial vehicles (UAVs), attack drones, and radars for missile defence. Iran remains hostile to the Zionist state. Tehran continues to back the Palestinian cause and the anti-Israeli Lebanese Hizbollah.⁶⁵

In the context of South Asia, Pakistan's decision to establish political relations with Israel has the potential to upset India's intense security ties with the Zionist state. Israel like Pakistan is a Major non-NATO Ally (MNNA) of the US. Jerusalem could also emerge as a future arms supplier to Pakistan. Such an eventuality could lead New Delhi to boost its ties with Tehran in an effort to

⁶² IRNA 18 November 2005.

⁶³ IRNA, 26 November 2005.

⁶⁴ IRNA, 30 December 2005.

⁶⁵ See Shahram Chubin, *Iran's National Security Policy: Intentions, Capabilities and Impact*, Washington D.C.: Carnegie Endowment for International Peace, 1994, pp. 98-103.

balance the Israeli-Pakistani connection.⁶⁶ However, the present preponderance of US power in the region ensures that Iran would continue to pursue its engagement with India in order to ease its isolation in the region while at the same time maintain cordial relations with Pakistan. Pakistan's comprehensive alliance with US and its MNNA status have not deterred Iran from maintaining relatively stable ties with Islamabad. Having a long and porous border with Pakistan makes it strategically vital for Iran to retain normal interaction with Pakistan in spite of divergent political and security perceptions. The fundamental goal of Iranian policy towards Pakistan revolves around the concern for security along Iran's eastern borders. Iran currently faces internal and external security threats that jeopardize the existence of the Islamic regime. Given the instability on the Afghan and Iraqi borders, the Iranian leadership can ill afford to seek a confrontational policy *vis-à-vis* an economically crippled but nuclear-armed Pakistan. Absence of the Cold War superpower rivalry that enabled Iran to rely on the assistance of one power or another has limited the Islamic Republic's strategic ability to confront a potential regional hegemon let alone the dominant U.S. influence in the Persian Gulf. In these circumstances, contrary to Western and US opinion, Iran has pursued an extremely pragmatic and cautious foreign policy in the region in order to avoid any direct conflict of interests with the West.

Despite India's interest in strengthening relations with the United States and Israel, Indian foreign policy still retains considerable autonomy and continues to strive for maximizing Indian interests regionally and globally. Certainly, the US factor has the potential to influence India's relationship with Iran but it will not be the determining factor in the development of this relationship. An India-US alliance is not foregone conclusion, especially when Pakistan retains its status as the major US ally in South Asia. In the US perception, India is a 'strategic partner' not an 'ally' such as Pakistan. Furthermore, New Delhi does not perceive international relations as a zero-sum game and appears to be committed in pursuing an independent foreign policy. According to an Indian official 'the United States has its relationship with Pakistan, which is

⁶⁶ See Yossie Melman, 'The Motivation behind Musharraf's Dramatic Move', *Haaretz*, 02 September 2005.

separate from our own relationship with them...our relationship with Iran is peaceful and is largely economic. We do not expect it to affect our continuing good relations with the United States'.⁶⁷ In this context, India would continue to deepen its co-operation with Iran and try to insulate this bilateral relationship from India's separate 'partnerships' with US and Israel. The Indian Foreign Secretary emphasised this point during his visit to Washington in December 2005 by stressing that 'we have told the US that Iran, too, is our strategic partner, that apart from historic ties, there is also the energy relationship.'⁶⁸ Iran is not only an important source of energy for India but remains an important geopolitical player in West Asia. Therefore, retaining a strategic engagement with Tehran is a geostrategic necessity for India.

India's pragmatic foreign policy is evident from the rapid improvement in its ties with China. New Delhi constantly emphasizes that China is its partner in Asia and not a 'competitor'.⁶⁹ In this context, the United States may face increasing difficulty in cultivating India as a potential counterweight to China. Moreover, China itself has emerged as a major weapons supplier to Tehran.⁷⁰ Some analysts have predicted that Chinese inroads in Iran could hamper India's regional security strategy.⁷¹ However, such opinions do not take into account the gradual improvement of India's ties with China. Both the Asian great powers have discussed co-operation in various fields including joint exploitation of energy resources. For instance, China holds a 50% share in Iran's Yadavaran gas field while India holds a 20% share.⁷² The Chinese Petroleum Minister stated during an energy conference in New Delhi in March 2005 that 'We (China and India) have agreed not to compete with each other. We will be coordinating and cooperating with India and possibly joint bidding on a case by case basis' for energy contracts globally.⁷³

⁶⁷ 'The Glue that bonds India,' *The Bangkok Post*, 12 January 2005.

⁶⁸ LNG Deal with Iran on the Cards, *IRNA*, 8 December 2005.

⁶⁹ Press Trust of India, 11 January 2006.

⁷⁰ Harsh V. Pant, 'India and Iran: An 'Axis' in the Making?' *Asian Survey*, Vol. XLIV, No. 3, May/June 2004, p. 382.

⁷¹ *Ibid.*, p. 382.

⁷² See Ziad Haider, 'Oil Fuels Beijing's New Power Game', *Yale Global*, 11 March 2005.

⁷³ *Ibid.*

Nevertheless, the possibility of an India-China rivalry over Iran and Central Asia could take such forms like competition for preferential access to markets in exchange for technology, economic assistance, supply of military technologies and possibly security guarantees.

For Iran, friendship with India would continue to be one of its key foreign policy priorities for a number of reasons. First, an Indo-Iranian strategic partnership could assist Iran in gaining wider access to resources and political influence in other parts of Asia. India is an emerging player in Southeast Asia. It has also initiated a strategic relationship with Japan - a key US ally in northeast Asia. India is a participant in the Association of Southeast Asian Nations (ASEAN) regional forum and a member of the Shanghai Co-operation Organization (SCO). Iran has also shown its willingness to join the SCO, which is a Chinese-dominated forum for strategic dialogue amongst Russia, China and the Central Asian republics. Secondly, Iran would gain greater economic gain by acting as transit country between Central Asia and India. Thirdly, by co-ordinating its regional policies with India, Iran could eventually reduce its dependence on Western Europe for trade and technology. Iran hopes to act as a bridge between the ASEAN countries and Europe and according to the Iranian ambassador to India 'the two democracies in the region, India and Iran can start a partnership to fill this gap'.⁷⁴

8. Conclusion

The Indian-Iranian relationship is likely to remain relatively intense taking into consideration the political and economic interests of both countries in sustaining it. The relationship is not essentially directed against any third country and is based on the convergence of interests, especially in the realm of regional geopolitics and energy exploitation. As Washington steps up pressure on Iran to dismantle its nuclear programme, India would have to strike a balance between its improving ties with the US and its strategic engagement with Iran. On the other hand, Iran would continue to experience competing pressures from Pakistan in its desire to build an enduring engagement with India. Hence, geopolitical realities in the context of a US-influenced Pakistan would continue to complicate India-Iranian

⁷⁴ *IRNA*, 17 December 2003.

relations intermittently. It remains to be seen whether India and Iran would be able to withstand these pressures and build a lasting relationship between them. In this regard, many positive factors certainly outweigh the negative ones for developing a constructive relationship built upon the foundations of India's long historical, cultural, and civilizational links with Iran.