

India-Iran Relations: Changing the Tone?

As India worked toward its dramatic nuclear agreement with the United States, its relationship with Iran was in the spotlight in Delhi and in Washington. The U.S. policy of isolating Iran and impeding the development of its energy infrastructure has been out of step with India's strategic relationship with Iran for years. Iran's nuclear program and the election of the outspoken and more radical Ahmadinejad as Iranian president have brought these differences into sharper relief. The United States and India have found some common ground on Iran's nuclear program—with India's public opposition of the program drawing political criticism—but they may still be out of sync with regard to India's long-term energy goals.

A shift in Indian policy draws domestic criticisms: In January 2003, then Iranian president Mohammed Khatami visited New Delhi as a chief guest at India's Republic Day parade. During his visit, important energy deals were signed and a strategic partnership was established between both countries. Just over three years later, India has twice voted against Iran in the International Atomic Energy Agency (IAEA). The second of these votes, which had the support of nearly all the IAEA board, recommended that Iran's nuclear program be referred to the UN Security Council for violating international obligations.

Prime Minister Manmohan Singh took the unusual step of explaining India's vote in a formal *suo motu* statement to parliament. He argued that Iran had undertaken international obligations voluntarily—both the obligations of membership in the Non-Proliferation Treaty (NPT) and the undertaking to suspend its sensitive nuclear activities—and should abide by its commitments. He also noted concerns about the origins of fabricated uranium hemispheres, a thinly veiled reference to Pakistan.

A political firestorm: Indian strategists do not want to see Iran develop nuclear weapons, and despite the bad relations that currently exist between Iran and Pakistan, they are wary of possible Iranian policy shifts toward Pakistan. But because of India's complex interests in Iran, its shift in policy toward Iran created a furor in the Communist Party and other leftist parties on whose votes Prime Minister Singh's Congress Party-led coalition relies for a parliamentary majority. These

parties objected to India's IAEA votes. They argued that the government was abandoning its foreign policy autonomy and becoming subservient to Washington. Their position was motivated in part by a desire to show that they could have an impact on the government's policies before state elections in the coming months. But their arguments about India's foreign policy independence have resonated among those Indians who care about international affairs and stirred anxieties in the ruling Congress Party.

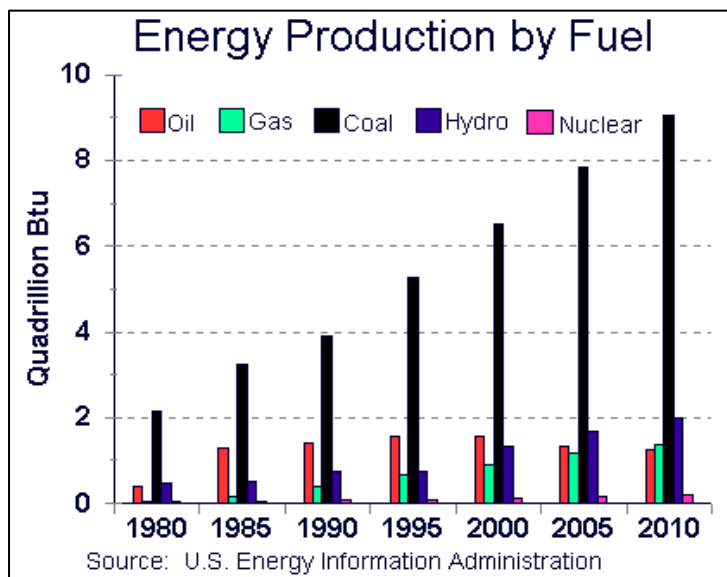
The objections from the left regained fervor in January 2006 when David Mulford, U.S. ambassador to India, publicly noted that if India voted against referring Iran to the UN, the nuclear deal with the United States would not materialize. Though Ambassador Mulford was stating the obvious, the leftist parties immediately latched onto the remark and demanded a strong condemnation from the Indian government. India's subsequent vote for the motion to pressure Iran further intensified the attacks from Singh's critics.



President Bush in New Delhi in March 2006. India's growing ties with the United States raises interesting questions about its relationship with Iran. Photo credit: the White House.

A more diplomatic stance: Since the July 2005 visit to Washington by the Indian prime minister, India has taken a more diplomatic position toward Iran, not only avoiding criticism of the United States, but also avoiding any sharp criticism of Mahmoud Ahmadinejad's government. Indian

diplomats and senior political leaders have consistently urged the international community to handle their nuclear concerns about Iran through diplomacy rather than confrontation. During a recent exchange in the Indian parliament, Singh welcomed Russian efforts to solve the Iranian crisis. Top Indian policymakers have tried to quell the criticisms by arguing that India voted in its own national interest. They also point out that India is not alone: both Russia and China, Iran's strongest backers, also voted for the resolution to refer Iran to the UN. The communists, however, have not given up their criticisms. Prime Minister Singh will remain under pressure to walk a fine line when making decisions regarding Iran, lest he be accused of following U.S. dictates. In other words, he will have to use his diplomatic skills to reconcile strategic considerations with domestic political compulsions.



Even if India's nuclear energy program takes off, it will still need traditional sources of energy. Credit: U.S. Department of Energy.

What happens to Iran-India energy cooperation? India's energy, economic, and other strategic interests have important overlaps with those of Iran. Energy is the primary issue. With plenty of domestic coal reserves but modest oil and gas reserves, India's policymakers are systematically looking for the widest possible set of alternatives to meet their growing energy needs. Nuclear power at this point accounts for some 2.6 percent of India's electricity; the most ambitious plans now under discussion would increase this share to some 12 percent by 2020. Much of the estimated 8 percent annual increase in demand will therefore have to come from oil and gas, with gas demand growing more rapidly than any other part of India's energy market.

This growing appetite for new energy sources and reliance on foreign sources to fulfill that demand make Iran an attractive partner. Homegrown sources currently provide 70 percent of India's energy needs, but imports are expected to grow substantially as consumption rises. According to U.S.

Department of Energy figures, India is already the world's sixth-largest consumer of energy resources. Its energy consumption will rise to 27.1 quadrillion BTUs by 2025, up from 12.7 in 2000—the largest expected increase in energy use after China. Even with the new reserves discovered in the past few years, India's domestic natural gas supply is not likely to keep pace with demand. This is where Iran fits in: this Persian Gulf nation is OPEC's second-largest oil producer and sits on 10 percent of the world's proven oil reserves. In addition, it has the world's second-largest natural gas reserves. According to the 2004–2005 annual report from the Indian Petroleum Ministry, India is negotiating a number of deals to import natural gas from Iran, including a recently signed agreement to import 5 million tons per annum (MMTPA) of liquefied natural gas (LNG), with a provision for an additional quantity of 2.5 MMTPA.

India's biggest quest to secure energy resources overseas has been most successful in Iran, where the Indian Oil Corporation, a state-run company, reached a January 2005 agreement with the Iranian firm Petropars to develop a gas block in the gigantic South Pars gas field, home to the world's largest reserves. India is cooperating with the Iranian government to secure Persian Gulf sea-lanes and formulate a common Central Asian strategy. India is also helping Iran to develop its Chahbahar port, as well as several infrastructure projects. The Iran-India gas pipeline project is attractive to India for another reason: Iran is willing to provide India with land access to Afghanistan and Central Asia, something that Pakistan has not been willing to do.

Pipeline dreams: India will have to import much of its natural gas either via pipeline or as liquefied natural gas. It has been building LNG facilities both on the west coast and in the south of the country. There have also been extensive discussions of pipelines to bring natural gas to India via Pakistan, from either Turkmenistan or Iran. The route from Iran's South Pars fields is shorter and more economical, with an estimated cost of \$4.5 billion, according to various press reports.

For years, India was reluctant to support the pipeline because of the political risk involved in importing a strategic commodity through Pakistan. Two years ago, the government of India decided to support the pipeline and has been working steadily with the Iranian and Pakistani governments to lay the legal groundwork for it. The United States publicly opposed it in March 2005, when Secretary of State Condoleezza Rice visited New Delhi. President Bush's March 2006 press conference statement in Pakistan, "Our beef with Iran is not the pipeline, our beef with Iran is in fact they want to develop a nuclear weapon," has raised questions as to whether U.S. opposition to the pipeline had softened a bit. Such a conclusion is probably premature. In any case, the more fundamental problems with the pipeline lie elsewhere. Mutual

suspicion between Pakistan and India and the threat of terrorists or insurgents damaging the pipeline are still serious obstacles. And if those are resolved, the normal commercial issues still remain, including the difficult one of agreeing on a gas price acceptable to all three countries.

Indian observers also wonder whether India's IAEA votes and its new partnership with the United States will undermine its energy relations with Iran, including the prospects of the pipeline. India has taken somewhat of a rhetorical beating from Ahmadinejad's government, but the negotiations have continued, and it appears that pragmatism is winning out in the battle for Iran's oil policy.

A tacit deal on Iran? India's leaders are likely to continue opposing an Iranian nuclear weapons program, though this will be uncomfortable for them and will generate political heat. They are also likely to continue pursuing a vigorous energy relationship as well as enough of a security connection to give them access to Pakistan's Central Asia backyard. Their hope is that their emerging partnership with Washington will be strong and sophisticated enough to go along with this two-pronged approach to Iran. From Washington's point of view, the most important question is how vigorously India is willing to join in international efforts to prevent Iran's emergence as a nuclear power.

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