India, Iran and Russia launched the International North-South Transport Corridor (INSTC) in 2000 to connect Saint Petersburg to the Indian Ocean via Iran. The following year, Indian Prime Minister Atal Bihari Vajpayee visited Iran. During his visit he addressed the Majlis (Parliament), met with Ayatollah Khamenei and other Iranian leaders and dedicated a square named after India’s first education minister, Maulana Abul Kalam Azad, in Shiraz. In 2003, Iranian President Mohammad Khatami visited India as the chief guest at India’s Republic Day celebrations and the two countries resolved to develop the Chabahar port. In 2004, the two countries jointly issued stamps commemorating the saint-poets Kabir and Hafiz. Twelve years later, few remember the warmth of the Vajpayee-Khatami era. In between, an Indian government signed a largely symbolic nuclear agreement with the US. India under Vajpayee
struggled against US sanctions while Iran, under Khatami’s successor Mahmoud Ahmadinejad, was on the receiving end of ever-tightening US sanctions. Now, Vajpayee’s party is back in power and Iran is emerging from the sanctions after signing the Joint Comprehensive Plan of Action (JCPOA). So, will India and Iran manage to reset their relationship in this changed environment?

India needs Iran to access Central Asia and Afghanistan and diversify its energy imports. Iran needs India to develop the transport infrastructure connecting Afghanistan and Central Asia to Chabahar and access cost-effective space, pharmaceutical and information technologies. Iran could possibly approach Russia and China for one or more of these inputs, but that would further deepen Iran’s dependence on its strategic competitors. Both India and Iran prefer a stable Afghanistan that is autonomous of Pakistan and a Central Asia that is not completely dependent upon China and Russia to access the rest of the world. These economic and strategic complementarities are drawing India and Iran together after a decade of troubled relations.

Analysis

The framework for the memorandum of understanding between India and Iran for the development of the Chabahar port that was signed in May was approved by the Narendra Modi Government last year, months before the JCPOA was signed. Iran is now very much the subject of renewed attention from India. In just the past few months, India’s National Security Advisor (in February), Transport Minister (in May), Foreign Secretary (in June) and Finance Secretary (in July) have visited Iran, while the Indian Prime Minister met with the Iranian President on the sidelines of this year’s SCO Summit in July. The Foreign Minister could not visit Tehran as intended because the July 2015 NAM ministerial meeting was postponed. The Transport Minister, an important member of the ruling Bharatiya Janata Party who served as party president between 2010 and 2013, is expected to visit Iran again later this year. The Petroleum and Natural Gas Minister and the foreign minister are also likely to visit Iran later this year.
From Iran, the President’s Senior Advisor (in January), the Deputy Secretary of the Supreme National Security Council (in July), the Foreign Minister (in August), a National Security Council delegation (in July) and INSTC-related delegations (in June and August) have visited India. In addition, trade bodies, oil companies and the navies of the two countries have stepped up engagements. In March, a fleet of the Iranian Navy docked in Kochi and the Indian Navy paid a return visit to Bandar Abbas in August.

India’s renewed focus on Iran is driven by a number of factors, including the US withdrawal from Afghanistan and Iraq, the growth of religious extremism in West Asia, the gradual relaxation of US sanctions against Iran, and the need to diversify energy imports. In this context, Chabahar has emerged as a central feature in the future Indo-Iranian bilateral relationship. Chabahar will help India to bypass Pakistan and access landlocked Afghanistan, the only SAARC country that does not have a land or maritime border with India, and energy-rich Central Asia. Chabahar will also serve as the fulcrum of the India-Afghanistan-Iran trilateral. Pakistan’s refusal to allow India transit rights to Afghanistan and further to Central Asia should be viewed along with its unwillingness to support initiatives from the South Asian Association for Regional Co-operation (SAARC) aimed at improving connectivity in South Asia. Pakistan’s obstructionist attitude has forced India to conclude a sub-SAARC motor vehicles agreement with Bangladesh, Bhutan and Nepal. India also engages with Sri Lanka and the Maldives within a trilateral format.

On An Uneven Keel

India and Iran share a millennia-old relationship. In the medieval period, a large number of Persian immigrants were employed in Muslim (including Sunni) principalities. Persian was the official language in large parts of the Indian subcontinent until the eighteenth century. (Initially, the modern West depended upon Persian translations of Sanskrit classics to access Indian literature.) Imam Khomeini’s ancestors migrated to the Lucknow region, one of the most important centres of Shia culture in South Asia, in the late-eighteenth century and left for Najaf in the mid-nineteenth century before settling in Khomein in Iran, where they were known as Hindi. (Iranian President Ali Akbar Hashemi Rafsanjani visited Lucknow in 1995.) India played an important role in the development of printing and filmmaking in the Persian language. Presently, thousands of Iranians study in India and Iran’s theological seminaries attract hundreds of Indian Shia. India has roads, squares and hospitals named after Imam Khomeini and Iran has roads, squares and music halls named after Mahatma Gandhi, Maulana Azad and Ustad Bismillah Khan. Three out of eight teams that participate in the Indian Pro-Kabaddi League have Iranian members, who are also among the highest paid players. Presently, India has the largest Shia population and Persian language archives outside Iran and is home to the world’s largest Zoroastrian population.

But Iran does not allow nostalgia to influence the pursuit of national interests in its bilateral relationships. Indeed, Imam Khomeini seems to have “denied” his Indian connection. Journalist Saeed Naqvi has suggested that may have been because Khomeini did not want to give his opponents an opportunity to attack the nascent revolutionary regime. But the
connection has been very recently remarked upon by Gholamreza Ansari, the Iranian Ambassador to India.¹

The modern Indo-Iranian relationship has been driven, in fact, mostly by contemporary geopolitical considerations. Despite their natural complementarities, the two countries were largely estranged from another throughout the post-1945 period. Very few high level visits occurred, usually about one per decade: Jawaharlal Nehru and Mohammad Reza Shah Pahlavi in the 1950s; Indira Gandhi, Morarji Desai and Shah in the 1970s; Narasimha Rao and Rafsanjani in the 1990s; and Vajpayee, Khatami and Ahmadinejad in the first decade of this century. The geopolitical divide of the Cold War limited engagement until the late 1970s. Shah’s Iran, whose northern periphery has a significant Turkic population, feared the USSR that was a valued partner of India. Also, India’s pro-Arab tilt did not endear it to Iran; and Iran’s membership of CENTO, which included Pakistan, further limited the scope for co-operation, as India was committed to the Non-Aligned Movement (NAM). Although Iran joined the NAM in 1979, the 1980-88 Iran-Iraq War posed a diplomatic challenge for India, which depended on the Gulf region for its oil supplies, as well as foreign exchange remittances from expatriates employed in the region. The 1980s also witnessed the beginning of India’s tilt towards the US while Iran swung in the opposite direction. The 1990s and early 2000s witnessed close co-operation between New Delhi and Tehran on diverse fronts ranging from Afghanistan to Antarctica. But they soon found themselves fighting their individual battles to claim strategic space in the unipolar American world order. The US nuclear diplomacy almost trapped India and Iran in a zero-sum game.

Like most other customers of Iranian oil India scaled down its imports under the pressure of US sanctions. It also dragged its feet over oil exploration projects, the Iran-Pakistan-India pipeline, Chabahar port development project and the INSTC. In addition to the sanctions, other factors such as the Baloch insurgency in the province of Sistan and Baluchestan and, possibly, Iran’s attempt to secure a better deal amid sustained increases in the prices of crude oil and natural gas during the first decade of this century limited Indian initiatives in Iran. The importance of the latter becomes evident if we take note of the 220-kilometre Delaram-Zaranj highway constructed by India between 2005 and 2009 at a cost of more than one hundred Indian and Afghan lives and about US$140 million.

Also, had India not adhered to Washington’s demands, it had no guarantee that it would not be shut out of some future deal that Iran might strike with the US. In any case, India did not completely toe the US line on Iran. Three examples are in order. India hosted an Iranian naval flotilla soon after the March 2006 visit to India of President George W. Bush, during which he signed the nuclear co-operation agreement. Two years later, President Mahmoud Ahmadinejad was received in New Delhi months ahead of the IAEA’s approval of India-specific safeguards. In 2012, Prime Minister Manmohan Singh attended the NAM Summit in Tehran. India also remained one of the biggest buyers of Iranian oil even after it had scaled down its imports, partly because of a favourable payment mechanism. Aided by a lack of competition, Indian exports to Iran grew despite the sanctions. Interestingly, both Iran and

the US feel that India acted against their interests. This could be viewed either as evidence of India’s unrecognised neutrality or the ineptness of its diplomacy.

Tehran contrasts India’s vote against it with the crucial help that it gave to New Delhi in the mid-1990s by blocking the introduction of Pakistan’s Kashmir resolution in the Organisation of Islamic Co-operation. India, for its part, contrasts the role that it played in forestalling a military solution to the nuclear crisis with Iran’s occasional verbal interference in Kashmir. In addition, the two sides have a number of other minor complaints against each other, such as the detention of an Indian vessel in Iran, restrictions on imports of Indian rice, Iran’s non-co-operation in the Indian investigation of a 2012 attack on Israeli citizens in India allegedly carried out by Iranians, and, until recently, India’s restrictive visa policy for Iranians and Iran’s detention of Indian sailors allegedly caught smuggling oil. While the catalogue of past complaints is unlikely to pose a hurdle to future engagement, it is just as likely that some of these complaints will be used as leverage in bilateral negotiations. In any case, the uneven Indo-Iranian relationship of the last decade has not distracted the two countries from the potential of a future relationship.

**A Central Asian Springboard?**

Iran sits in between two of the world’s most important reservoirs of oil and gas in Central and West Asia. Its position vis-à-vis Central Asia differs from those of the other littoral states of the Arabian Sea. Unlike Iraq and Pakistan, Iran shares a direct border with Central Asia that just as importantly, lies on both sides of the Caspian Sea. Iran shares land and (inland) sea borders with Turkmenistan, Turkey, Azerbaijan and Armenia. Its ambitions are thus not conditional upon the stabilisation of Afghanistan and, unlike Iraq and Pakistan, it enjoys cultural influence in the region, where Persian was the language of the courts, culture and religion for centuries. Tajiki, the national language of ethnically Turkic Tajikistan, and Dari, an important language of Afghanistan, are closely related to Persian. Also, Iran has a substantial population of speakers of such Turkic languages as Turkmen and Azeri.

The development of the Chabahar port can make Iran an international trade conduit for landlocked Central Asia and Afghanistan. Chabahar will also help to decongest the port of Bandar Abbas and enable Iran to handle heavier cargoes without transhipment to the United Arab Emirates while maintaining Iran’s trade flows in the case of a conflict in the Persian Gulf. Moreover, the Chabahar port could give Iran the capability to block the Strait of Hormuz without severely harming its own trade.

From the domestic perspective, developing the port at Chabahar will boost development in the economically-backward Sistan and Baluchestan Province that is home to Iran’s Sunni Baloch and Brahui minorities. According to the 2011 Census, Sistan and Baluchestan was one of the least literate and urbanised provinces of Iran. The Baloch minority is also found in the provinces of Hormozgan, whose capital is Bandar Abbas, and Kerman. Yet, the strategic “game” that might be unfolding on the Makran Coast extending along the Arabian Sea, the Gulf of Oman and, to a lesser extent, the Persian Gulf is often discussed without much attention being paid to the Baloch situation. The Baloch people inhabit the region between the Makran Coast and southern Afghanistan and there is a substantial Baloch population in
Oman. Pakistan’s Gwadar port and Afghanistan’s Delaram are also located in Baloch territory.

Pakistan is developing Gwadar, among other things, to deal with the potential naval blockade of Karachi in the event of a war with India and to develop its restive province of Balochistan. Balochistan, which is Pakistan’s most underdeveloped province, accounts for about 43 per cent of Pakistan’s land area but less than five per cent of its population, contains much of Pakistan’s mineral and energy resources and is home to its nuclear and missile test sites. Sistan and Baluchestan, which lies in the south-eastern corner of Iran, accounts for about 11 per cent of its land area and just below 3.5 per cent of its population. While the Baloch problems of Iran and Pakistan are interlinked, there is a structural difference between the two: the Baloch insurgency does not pose an existential challenge to Iran to the degree that its Pakistani equivalent does.

Chabahar’s importance is not limited to economics alone. By providing resource-rich but landlocked regions of Asia with access to the sea, it can potentially shake up the geo-political order in the region. Chabahar can enhance Afghanistan’s bargaining power vis-à-vis Pakistan by providing it with alternative access to the Indian Ocean. As a relatively safe transit route for moving raw materials from Afghanistan to international markets, Chabahar could spur the Afghan economy and contribute to its political stability. Moreover, Chabahar can help Iran to emerge as a major outlet for mineral exports from the Central Asian republics, which are currently almost entirely dependent upon Russia and China. In short, the development of the Chabahar port is of great strategic and economic importance to Iran.

Chabahar as a hub for Indian trade with Afghanistan and Central Asia outcompetes other routes via Bandar Abbas and Pakistan. Delaram, in the western Afghan province of Nimruz, is almost equidistant from Chabahar and Bandar Abbas, while Bandar Abbas is closer to the Central Asian republics than Chabahar. In both cases, however, Chabahar’s proximity to India more than offsets any advantages that an already congested Bandar Abbas may offer. The usefulness of Pakistan for transit between India and Afghanistan and Central Asia depends on the location of the respective termini. For instance, if the termini are based in South India, India’s manufacturing and services sector hub, and the Caspian region, the Pakistan route does not hold any advantage. Chabahar will also emerge as the key node in Iran’s gas exports to India either directly in the form of LNG or through pipeline via Pakistan or Oman.

Contrary to the misplaced enthusiasm in the Indian media, however, Chabahar is not India’s answer to the Pakistani port at Gwadar that is being developed by China. As the most “reliable” patron of Pakistan, China will enjoy much greater freedom in running Gwadar (including potentially putting it to military use, although this appears to be unlikely in the near future) than India will ever get or even need in Chabahar. Also, India’s modest financial commitment to Chabahar is often unfairly contrasted with China’s massive outlay (US$46 billion) for the China-Pakistan Economic Corridor (CPEC). But only a small part of the CPEC fund will be invested in the Gwadar port and free zone. Estimates of investment in Gwadar vary between US$150 million and US$660 million, depending upon whether such infrastructure as desalination plants and an airport is included. India’s initial outlay for
Chabahar Phase I is US$85.21 million (in addition to an annual expenditure of about US$22.95 million). The cost of Phase II, if and when that phase of the project is approved, could be as much as US$110 million. These figures exclude India’s potential investments of about US$30 billion in the Chabahar Free Zone and the transport corridor leading up to Afghanistan and Central Asia. In any case, India would do well to commit its resources based upon a sound assessment of the situation on the ground rather than trying to match the fanciful figures being debated in the media.

Moreover, India is aware that Iran has good reasons to assure Pakistan that it will not allow its territory to be used for anti-Pakistan activities. Iran cannot but be mindful of the fact that Pakistan is a nuclear-powered Muslim neighbour that is courted by the Sunni monarchies of the Gulf and home to Sunni Baloch insurgents who could foment trouble in Sistan and Baluchestan province. It was not surprising, therefore, that the Iranian Foreign Minister visited Islamabad on his way to New Delhi. This should not bother India, though, as it only seeks a commercial presence at Chabahar. Also, the experience of China in Burma and Sri Lanka, like the US experience in the Middle East and Pakistan, counsels against an overbearing approach as such engagements invariably cause a backlash. China’s presence in Pakistan is unlikely to lead to a different outcome. Both ends of the CPEC lie in restive regions: Balochistan and Gilgit-Baltistan in Pakistan and Xinjiang in China. Political unrest in Pakistan over the corridor’s route and the need to deploy more than 20,000 security personnel to protect Chinese assets and workers suggest that executing the CPEC project will not be easy. In any case, this Corridor will be of no use to the Central Asian republics as long as Afghanistan and the Pashtun provinces of Pakistan remain politically unstable.

India’s involvement in Chabahar does, however, have a Chinese angle to it. Any reduction in Chinese and Russian influence in resource-rich Central Asia and of Chinese and Pakistani influence in Afghanistan is good for India. India is one of the biggest contributors to the ongoing efforts to stabilise and rebuild Afghanistan and has also helped to train a large number of its troops. Further engagement with Afghanistan is restricted by a lack of direct access. Yet India’s interest in Chabahar is not merely limited to bypassing Pakistan to access Afghanistan or forcing Pakistan to allow overland access to Afghanistan and beyond. If Pakistan were to relent, such access would be a useful by-product, but not something that dilutes the importance of Chabahar to India’s energy security and its relations with Central and West Asia.

Compared to its relationship with Afghanistan, India’s engagement with Central Asia is limited. Its trade with the Central Asian republics is insignificant compared to that of those countries that border Central Asia. India’s attempts to secure natural resources from Central Asia have been largely unsuccessful because of Russian and Chinese dominance, both of whom are well-connected with the region. Though Russia, in particular, has sought to prevent India from building strategic relationships in Central Asia, New Delhi has quietly cultivated relationships in the region. In the last decade, Central Asian cadets, particularly Tajiks, have accounted for up to one-fifth of the foreign cadets in Indian defence academies. In the 1990s, India opened a hospital at Tajikistan’s Farkhor Airbase to support the Northern Alliance. Later, India refurbished the Ayni Airbase, also in Tajikistan, but without being able to use it (although on occasion the media, and some strategic experts wrongly claim that
India maintains two airbases in Tajikistan). More recently, India opened the India-Tajikistan Friendship Hospital at Qurghan Teppa in 2014. India has also tried to engage with the Kyrgyz defence industry.

The development of Chabahar will allow India to bypass the Russian “veto” in Central Asia. The fact that Narendra Modi is the first Indian Prime Minister since Nehru to have visited all the Central Asian republics should be read along with the urgency India has shown in developing Chabahar. In the past six months, Modi referred to Chabahar in his interactions with his counterparts from Afghanistan, Kazakhstan, Tajikistan and Turkmenistan. Chabahar will, complementarily, boost India’s presence in the western Indian Ocean.

In short, Chabahar can serve as the locus of the converging interests of Iran and India. The possible future course of their relationship will be charted in part two of this paper.

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About the Author: Vikas Kumar teaches economics at Azim Premji University, Bangalore.

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Published by Future Directions International Pty Ltd.
80 Birdwood Parade, Dalkeith WA 6009, Australia.
Tel: +61 8 9389 9831 Fax: +61 8 9389 8803
E-mail: lluke@futuredirections.org.au Web: www.futuredirections.org.au