

## **The American Sanctions on Iran and Implications for India:**

### **Part 1**

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The decision of the Trump administration to end waivers for the import of Iranian oil to India has ended the almost 12 year-long diplomatic tightrope that India has been walking since sanctions were first imposed on Iran through UN resolution 1737, in December 2006. The 'on again off again' nature of the sanctions had provided India the breathing space it required to maintain its ties with both Iran as well as the United States, the latter being the major driving force behind the curbs. The occasional waivers granted to India by the US helped along the way.

After 01 May 19, however, India can no longer import Iranian oil without adverse economic consequences. According to statements emanating from the Government of India, it intends to comply with the sanctions. If correct, this will be a first for the country. In the past, New Delhi has never supported Western non-UN-mandated sanctions against individual States.

This development should come as no surprise. Ties between India and the US have been growing stronger since the start of the millennium. The two countries now agree on a host of issues, including, but not limited to China, Afghanistan and international terrorism. The US has helped India become a *de facto* nuclear power through the '123 agreement'. It has also helped Delhi join the Wassenaar arrangement, the Australia Group, and, the MTCR (Missile Technology Control Regime). India, for its part, has signed three of the four foundational military cooperation agreements with the US. The latest one was the COMCASA, signed last year (in 2018).

However, American hostility towards Iran puts India in a serious bind. The importance of Iran to New Delhi rivals that of the US. The geographic location of Iran is itself a major factor. A difficult relationship with Pakistan means that India is compelled

to access Central Asia through Iranian territory. India also intends to connect itself to countries in West Asia, the Caucasus, and, Eastern Europe, through its International North South Transport Corridor. Iran is at the centre of all such plans.

Secondly, Iran is also a vital source of petroleum imports. The Indian economy depends heavily upon both, the import of raw crude and the export of processed petroleum products, to fuel its rapid economic growth. After coming under pressure from American sanctions, Teheran has been offering deep discounts to buyers of its oil. India has benefitted from these. Moreover, some refineries in India are designed to handle only Iranian sour crude. The US sanctions mean that these refineries will now have to make technical changes to crude from other countries, thereby incurring extra cost.

Despite these issues, India is gearing up to comply with the US sanctions. The Minister for Petroleum and Natural Gas, Dr Dharmendra Pradhan, [said](#) on Twitter:

*“Govt has put in place a robust plan for adequate supply of crude oil to Indian refineries. There will be additional supplies from other major oil producing countries; Indian refineries are fully prepared to meet the national demand for petrol, diesel & other Petroleum products”*

In the last decade, India has markedly improved its relations with other oil producing countries in West Asia. This was evident when recently, Prime Minister Modi was [awarded](#) the Zayed Medal, the highest civilian honour of the United Arab Emirates. Saudi Arabia, the largest oil producing nation in the world, has also become friendlier to India. The two States are cooperating on the anti-terrorism front. Riyadh has also promised to [build](#) a refinery in India with an estimated investment of \$44 billion. These developments suggest that India may, indeed, manage to get supplies from other countries as Dr Pradhan has stated.

However, Indian compliance with the American sanctions on Iran are almost certainly going to lead to its deterioration of ties with Tehran. India already has the image of an unreliable friend within Iran. This is due to the partial fulfilment of American sanctions in the past, by way of reduced oil imports. From the Indian point of view, it is Iran that has acted with little concern for Indian sensitivities. Despite an Indian consortium discovering gas deposits at Farzad B gas field, Iran has dithered on giving exploitation rights to Indian companies. This prompted New Delhi to [instruct](#) its oil

importers to reduce their take from Iran in 2017. In the past, Iran has also criticised India on its policies in Kashmir, which has not been seen positively in Delhi.

The mutual disillusionment between Iran and India is likely to lead to geopolitical challenges for both States. Iran has, in the past, threatened to [revoke](#) special ‘privileges’ to India if its oil is replaced by those of other countries in West Asia. This did not go down well with New Delhi. Truth be told, Iran does have leverages it can exploit. The Indian investment in Chabahar could be put under pressure. In the past, Iran has changed the terms of the Indian investment in Chabahar, causing delays. A sizeable portion of Indian investments in Afghanistan, both capital and material, would be endangered if Iran pursues this path.

Moreover, if and when sanctions are lifted, India may not be offered favourable financial terms by Iran for the purchase of Iranian oil. Considering the very large volumes India requires to sustain its robust growth, this could have significant financial implications.

This is not to say that the Indian decision to comply with American sanctions is incorrect. As the sole superpower, the US wields enormous influence around the world. States, big and small, have faced economic problems when they have ended up on the wrong side of American policies. Turkey, Pakistan and Russia are relevant examples. It would not be too prudent for India, whose ties with the US are growing fast, to alienate the US for the sake of its ties with Iran.

That having been said, India must try to convince the US of its need to keep Iran engaged. Although, Delhi cannot expect waivers of the kind it has received in the past, it must talk to the Americans to allow for import of some oil from Iran. A correct (even if token) amount will not change the effect of sanctions very substantially. At the same time, it would enable India to continue managing its goodwill in Teheran, which is necessary for other projects both at present and in the future.

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