

**INDO-IRAN ENERGY COOPERATION-CHALLENGES AND
OPPORTUNITIES**

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ABSTRACT

"Few people have been more closely related in origin and throughout history than the people of India and the people of Iran"

Jawahar Lal Nehru —Discovery of India³

Through the ages, Indo-Iran relations are covered in meaningful interactions. The peoples of ancient neighbouring civilizations in India and Iran have enjoyed common homeland and deep historical links. They share a common culture, civilization, linguistic and racial. Over several millennia, they interacted and enriched each other in the fields of language, religion, arts, culture, food and other traditions. Today the two countries enjoy warm, friendly relations and work cooperatively in a wide range of fields. Currently, Energy is one of the most significant and effective elements in the strategic collaborations between Iran and India. Iran is a crude oil supplier to India and India has energy demands, both to develop their economies and strategically contribute as natural partners. The paper will investigate Indo-Iranian relations and the role of energy diplomacy bringing in the imperatives of the economic stake between nations.

Keywords: Energy, Diplomacy, Gas and Oil.

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³ Nehru, Jawaharlal. *The discovery of India*. Penguin Books India, 2004.p.152.

Introduction

In today's global order, development and existence of countries in the same region depends on their cooperation, partnership and convergence. In other words the quality and the level of cooperation is directly related to the geographical and geological features and political, economic and cultural potential of countries in the region. Iran and India as two effective and powerful Asian countries share a vast amount of historical and cultural ties and relations. These ties have strengthened the two countries to develop their relations.

Jawaharlal Nehru, India's first Prime Minister stated, "Over a long period of time Iran among all countries has had the greatest effect on the Indian's culture as well as its people". Farsi has been the formal and the language of the court in India for more than seven centuries. Indo-Iranian cultural ties are incomparable to any other country in relation to India. Studying Indo-Iranian relationship as two Asian and historical countries requires being aware of their economic, political, cultural goals, interests and policies. These two countries over the generations have experienced several vicissitudes in their relations. They share similar viewpoints about so many regional and international issues.

India's increasing need for energy is known to everyone. India is looking at Iran as the most important and the best supplier of energy in the long term. Iran on the other hand considers a powerful India as a desired entity for a multi polar world in opposition to the US dominance. Iran has found India consistent to her own national interests. Enjoying approximately a population of 1,236,344,631 (July 2014 est.)⁴, territorial area more than double of Iran, an economic growth of 8 percent for a decade and membership in the nuclear national club, India has a great influence on the regional and global activities. India has all main requisite criteria for being the world's power including vastness, population and military force. Besides, its rapid economic growth will put India among the world's leading economic powers in the near future.

⁴ Indexmundi. http://www.indexmundi.com/india/demographics_profile.html.

Therefore deepening Indo-Iran economic relations will be advantageous for both sides. Furthermore it can lead to more regional stability and security.

However there are some controversial issues in the relations of these two countries. Iran's exclusive position in international affairs as well as Iran's and the US strategic competition caused by western powers, the US in particular, to be more careful about Indo-Iran's close relationship. Amidst all these issues is another factor, energy and the bilateral of these two countries dependence which also influence their relation.

Historical perspective

Indo-Iran relations date back to the Neolithic period. Early links between the ancient peoples of the Indian subcontinent and the Iranian plateau are ethnically identified as belonging to a common race as the Aryan. Pre-Great Aryan Migration has existed with a variety of links between Iran and India. As a result, the people of Northern India and Iran shared cultural, ethnic and linguistic characteristics. The best proof was several empires who governed both Persia and Northern India, which enable spread and evolution of the Indo-Iranian language. Iran and India had extensive relations and historically shared multi dimensions like a common homeland, common linguistic characteristics and racial past.

Before the British colonization, the court language in India was Persian. But Britain drastically decreased all relations of India not only with Iran but also the rest of the world. The first was political relations between the two countries. The senior Iranian delegation that attended the announcement in New Delhi in 1947 recognized India's independent status. In this year, India lost its ancient territorial neighbourhood with Iran and there appeared the new state of Pakistan. Since then, Pakistan geographically emerged as one of the determining factors in Indo-Iranian relations. Also, Iran was the first country that extended recognition to the state of Pakistan.

In March 1950, formal diplomatic channels between New Delhi and Tehran began with a friendship treaty and became closer by signing of several bilateral agreements. The Perpetual Peace and Friendship Treaty emphasized amicable relations, peaceful procedures, ordinary

diplomatic ties and arbitration. Iran was one of the earliest countries to establish ambassador level diplomatic ties with India.

But in practice, both Iran and India were mired because of Cold War alliances that caused to preclude the extension of strong bilateral ties. During the Cold War period, India-Iran relations experienced new political interests of Super Powers. India aligned military links with the Soviet Union while Iran associated with the United States by furthering ties. Pakistan followed Iran in the Baghdad Pact which later renamed the Central Treaty Organization (CENTO). So during the 1965 and 1971 Indo-Pakistan wars, Pakistan was supported by Iran with military assistance. Indo-Iranian relations during the Pahlavi Regime (1926-76), were characterized by a closer interest in the interaction of both states, India and Iran, that economical, political and cultural ties were momentarily strengthened for mutual benefit.

Iran-India relations after 1977: The Iranian revolution extraordinarily surprised the world politics, because it happened without a revolution's customary causes like defeat at war, a financial crisis, peasant rebellion, or a disgruntled military. It changed at great speed with massive popularity, and was greatly protected by the army and security services. It replaced a monarchy with theocracy based on Velayat-e Faqih or Guardianship of the Islamic Jurists. In 1979, as the first step after the revolution, Ayatollah Khomeini encouraged pragmatism toward developing economic aspect and normalization of foreign relations.

So, with the Iranian Revolution and new leadership of Ayatollah Khomeini, relations were initiated drastically and a new phase of engagement with India began. India realized the Islamic revolutionaries' core message of foreign policy, was 'neither East, nor West', with a quest for Islamic identity, autonomy and an independent nation without any external interference, which was the same as their desire. So, this period was marked by an Indian delegation visiting Iran and an exchange of high level visits.

India's foreign policy after its independence in 1947 toward Iran

From 1947-1990

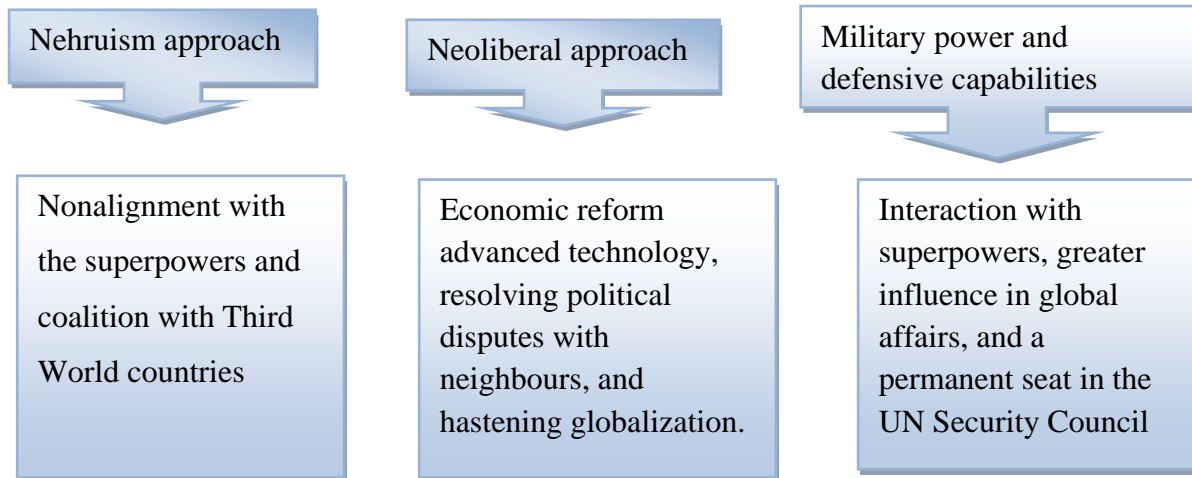
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During the Iran–Iraq War, India supported Iraq, and Iran supported Pakistan, leading to the Indo–Iranian ties being strained for further development for a short period. In the 1990s, the relations between Iran and India began warming since both the countries collaborated to support common strategic interests to oppose the Taliban. Nevertheless, the two countries sturdily continue to preserve cultural and economic ties. Indian foreign policy issues significantly differed with Iran's nuclear programme. Once again lead to the Indo-Iran relationship being checkered.

Indo-Iran Relation Based On Energy

Table: India and Iran Energy⁵

	Population	Area (Sq Km)	Oil (million bbl/day)			Natural gas (billion cu m)		
			Production	Exports	Imports	Production	Exports	Imports
Iran	80,840,713	1,648,195	3.594 (2012 est.)	2.445 (2011 est.)	15,600 (2010 est.)	162.6 (2012 est.)	9.05 (2011 est.)	10.59 (2011 est.)
India	1,236,344,631	3,287,263	990,200	0 (2010)	3.272	40.38 (2012)	0	16.39

⁵ INDEXMUNDI. <http://www.indexmundi.com>.

			(2012 est.)	est.)	(2010 est.)	est.)	(2011 est.)	(2011 est.)
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Today, for developing economic growth, all nations in the world require energy. At present, energy is a vital element for developed and developing countries and their public welfare. Therefore, fundamental priorities for them are stability and ensuring different kinds of energy like oil and gas. Hence, energy in world markets is known as a strategic commodity and the lifetime's economic progress line that has a serious role in the socio-economic enlargement and national profits of all nations in the world.

India with more than 17% of world's population is the second democratic country, and the seventh largest country (total land area) in the world. It is facing a major threat in meeting its energy requirements to provide for its growing economy and present adequate supplies to people at a reasonable price. In 2013, India was the fourth largest energy consumer in the world after the United States, China and Russia. It also consumed nearly 6% of the global market and was the fourth-largest LNG⁶ importer in the world, after Japan, South Korea and China. It is the third-largest hydrocarbon consumer in Asia. It plans major energy infrastructure and investments to meet increasing demand for electric power.

Table: Oil and Natural Gas Proved Reserves⁷

		At end	At end	At end	At end 2013			
		1993	2003	2012	Thousand	Thousand	Share	R/P
		Thousand	Thousand	Thousand	million	million	of total	ratio
		million	million	million	barrels	barrels		
		barrels	barrels	barrels				
Oil proved reserves	Iran	92.9	133.3	157	21.6	157.0	9.3%	*
	India	5.9	5.7	5.7	0.8	5.7	0.3%	17.5
	Total	1041.4	1334.1	1687.3	238.2	1687.9	100%	53.3

⁶ Liquefied Natural Gas

⁷ BP Statistical Review of World Energy June 2014. <http://www.bp.com/content/dam/bp/pdf/Energy-economics/statistical-review-2014/BP-statistical-review-of-world-energy-2014-full-report.pdf>.

	world							
Natural gas proved reserves	Iran	20.7	27.6	33.6	1192.9	33.8	18.2%	*
	India	0.7	0.9	1.3	47.8	1.4	0.7%	40.2
	Total world	118.4	155.7	185.3	6557.8	185.7	100%	55.1

Oil imports to India have increased from forty percent in 1999 to more than seventy percent in 2011. Since 2012, India has reduced crude oil import from Iran. Currently, Iran exports around a sixth percent of total Indian oil imports.⁸ Moreover, Iran as a reliable source of energy to India afforded an increase in oil export to India.

Iran is extremely important to India in the area of energy security. Iran is the third largest proven oil reserve and the second largest gas reserve. As, it is relatively located close to India, facilitating to permit transit of oil and gas at low cost, and supply of third country energy to India given its increasing links in this field with the landlocked countries of Central Asia. There are significant trade ties, particularly in crude oil imports into India and diesel and exports to Iran. India's energy security is primarily outlined by:

- Energy demand due to economic growth.
- Energy deficiency.
- Implications of its energy paths on the environment.
- The consumption of energy has increased at a fast rate.
- Petroleum products depend to the extent of 70-80% on imported oil.
- India desires a growth real income rate of 6-7% to 8-10% per annum for the future.⁹

Oil has generally figured in India-Iran commercial relations. The energy cooperation is predominantly a stimulus for India and Iran to come closer. The energy issue has received the vital focus in the Tehran (1997) and the New Delhi (2003) Declarations.

⁸ Vakhshouri Sara, Iran-India energy ties may take off, Almonitor, (2014) <http://www.al-monitor.com/pulse/originals/2014/03/india-iran-energy-ties-nuclear-accord.html>

⁹ Sudarshan, et al. India's Energy Security, Routledge, London, (2009), pp. 3-18.

Iran Pakistan India (IPI) gas pipeline

Since the mid-1990s, India, to secure the long term energy requirements, and the gas dependency of India had programmed to bring Iranian natural gas through Pakistan. It also provided a good opportunity for Iran to:

- Stabilize its position in the energy domain in South Asia.
- Increase its key role in the region and world.

This proposal is also identified as the Iran-Pakistan-India (IPI) pipeline project. Economic and defensive cooperation between Iran and India goes back to 2001-2003. It was in this period of time that the gas pipeline project, also called "peace pipeline" posed the most important political-economic project between the two countries. But after a period of rapid growth, there was a sudden slack in their relations. It showed a clear evidence of some transformation in India's foreign policy towards Iran. That was the time when despite Iran's desire for their support in the International Atomic Energy Agency (IAEA), India along with some other countries voted against Iran and they sent its nuclear case to the Security Council. This vote not only had damaging impact on Indo-Iran relations, but also at the same time caused deepening Indo-US/Israel relations. An early sign of this event was the development of the Indo-US nuclear agreement.

The impact of Indo-US relation on Iran

Realistically, India should make it a priority to expand and deepen its ties with the United States. Politically, the United States has announced that its goals are generally focused on improving the India global position and creating a positive connection to the other world powers. Also, its commitment to the process of making India a global power, and militarily, the U.S army is looking to India as a military partner to implement its short-term operations in Asia.

India has already begun to choose the United States over Iran, and will likely continue to do so. In terms of strategic affairs, such as Iran's nuclear programme, India has acted in

conformity with U.S policies. When more of such changes occur in India's foreign policy toward Iran, they may come as a surprise to Iranian politicians, who still view India as neutral and non-aligned, especially in regard to Third World countries. Iran also expects India, as a developing country, to have a revisionist or reformist outlook toward the politico-economic structure of the international system.

In 2005, India signed a nuclear deal with the United States, and India was pressed to reject all energy deals with Iran. It was while this project was approximately complete and Pakistani construction was in progress. That India abandoned it. Also, Indian security was at risk to supply due to the geopolitical situation (Pakistan) and military stalemate. Although in general India considers Iran as a large country with rich oil and gas resources, a regional power in west Asia, a Shia regime with great authority on the Islamic world which enjoys an important geopolitics position, India's most important priority in foreign policy is over the opposition to Pakistan and religious extremism and also opposition to China.

India and Iran are affected towards its energy and economic collaboration under the US and European Union sanctions¹⁰ over its controversial nuclear programme. But sanctions cannot discontinue the import of oil from Iran to India because of its energy requirements. But India has practically tended to their policy because of US and its allies' pressure on foreign relations to Iran's energy industries such as:

- India discarded the Iran-Pakistan-India peace gas pipeline, and signed a gas pipeline agreement with Armenia in 2010
- India delayed signing the development of Farzad B gas field agreement¹¹
- India avoided taking part in developing Iran's oil and gas fields
- India avoided selling gasoline to Iran
- India even passed strict rules against Iranian students and sent them back to Iran

¹⁰ The United States, Britain, France, Russia, China, and Germany that jointly known as the P5+1, are required to halt many aspects of Iranian nuclear program with international sanctions

¹¹ The Farzad B gas field is an Iranian natural gas field that was discovered in 2012. It began production in 2013 and produces natural gas and condensates.

- Central Bank of India had earlier announced that it is not possible to deliver cash through Asian banks to pay for Iran's oil

Nevertheless Iran's oil resources supply 13 percent of total India oil imports. New Delhi's tendency toward US was due to a new paradigm of Indian policymakers. Based on this new paradigm the only way through which India can approach its big strategic goals is by executing fundamental changes in its relation to the unique world power.

The US policy is always limited Iran to promote its position in the region after the Islamic revolution. Then, they blocked the Iran-Pakistan-India (IPI) pipeline project, since it increased Iran's role in India and had an abundant profit. Briefly, it can be said IPI stopped because of:

- To prevent Iran's political and economical strengthen in the region.
- The prevention security relations between Iran, India and Pakistan.
- To prevent to the influence of Iran in Persian Gulf.
- To prevent the formation a link between Iran, India and Pakistan.

Since, Indian energy requirements have developed its relations with Iran's most important regional adversary-Saudi Arabia. Saudi Arabia and India as a strategic cooperation in 2010 developed their bilateral relation for requisite oil in critical areas regardless of the oil price.

India follows a fluid policy toward Iran. They do everything according to their interests. That's why they have such a formal viewpoint toward Iran's nuclear programme. India is aware of Iran's peaceful nuclear programme purposes. India justifies its vote against Iran as they have no desire to see another country with nuclear power in this region.

Chahbahar port

India is greatly tended to have a political proximity to the Gulf nations predominantly Iran. India need to have a vast space and choice in these regions, so due to Iran has the political problems with the United State, offers good choices like Chahbahar port construction to India. Iran and India will get profit, Iran needs the investment of Indian companies in the

nonattendance of European companies in oil industries, in addition India needs to guarantee its future energy.

The Chahbahar port is situated on the most important international corridor like East-West, North corridors, South corridor, and Transport Corridor Europe-Caucasus-Asia (TRACECA). India developed energy ties with Iran by construction of the Iranian's Chahbahar port which strategically is immense and a trade route to provide a territory access to Afghanistan and Central Asia, and also to save the country transportation cost. This route is important because it will reduce the length of the cargo transport distance from the Indian Ocean region to Northern and Eastern Europe. This project will create transport routes and energy pipelines to an increase and easier flow of goods.

Conclusion

In the 21th century, the Indo- Iran relation is greatly considered to help and assist by virtue of their geographical adjacency, cultural background, and harmonization in strategic profits, geopolitical and strategic circumstances. Iran and India have got copious mutual advantages for investment and strengthening relations. India owns all the prerequisite components and potentialities to become the regional and global power and can be a pioneer country in economy, military and nuclear fields. But to reach these long term goals India needs a stable energy, especially gas. To provide energy and security are the most important components in the global issues today.

Iran with extensive gas resources is the choice for India. But India has deeply developed relations with the United States and European countries due to huge population and other numerous problems. But India should be cautious in these relations that should not be measured as anti-Iranian relations. Recently, India and Iran relations are influenced by common profits, reciprocal vulnerability, and tertiary actors. These influences brought the capacities and limitations in mutual relations between Iran and India. Iran and India energy relations are more vital for both countries. Iran is important for India for various reasons:

➤ Energy security

- Countering Pakistani Taliban in Afghanistan
- Access to trade and transport connectivity with Central Asia and Afghanistan
- Handling domestic political dynamics
- Maintain strategic partnership with the US
- India does not want to be a target of the US policy in West Asia

Furthermore Iran with huge energy resources is interested in exporting its oil and natural gas to India. It is the cheapest and most trustworthy choice for providing the growing need of India's energy. Hence, the energy cooperation between the two countries will serve long term needs.

Priorities of Iran's foreign policy based on national benefits, for these purposes need pleasing to emerging powers like India. Also, India's national benefits are a priority for authority and provision of stable energy and energy security, so India is desired to penetrate into the Persian Gulf and Iran. India has been faced Iran nuclear issues, US and Europe policy toward Iran, and strong relations with all the regional and non-regional powers.

The peace pipeline project was one of the most significant issues if America did not interfere. India must follow America policies for supplementary supporting national benefits. Whereas, Iran and India relations are required to modernize, a solid support for the development of mutual relations and co-operation, and discover reciprocal's aptitudes and requirements, but the position of India in Iran's foreign policy is conservatively continuing. Iran with the outstanding location in the territory of energy and its geographical propinquity to India is able to provide for a great deal of India's requirements. Planning to realize this capability requires a view further than the technological and economic view on this issue. A view based on which infrastructural relations on energy should be established with India as a future great power.

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