

The Iran Opportunity for India

Written by Uma Purushothaman

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UMA PURUSHOTHAMAN, AUG 19 2015

For many years, Iran and India had similar travails with regard to their nuclear programmes. Both have been under sanctions for their programmes. Some scholars have drawn similarities between Iran's deal and India's deal pointing out that both were under sanctions imposed by the West. However there are many differences between the deal Iran has reached and the deal reached between India and the U.S. The crucial difference of course between New Delhi and Tehran was that unlike Tehran, New Delhi was never a signatory to the Nuclear Non-Proliferation Treaty (NPT). Second, India has had an exemplary record when it comes to non-proliferation, unlike Iran. Third, India's deal was with the U.S, unlike Iran's deal which was more multilateral, even though it was primarily with the U.S. Fourth, even though Iranian leaders have justified their nuclear programme arguing it is for energy security, this argument has been a little difficult to believe because of Iran's enormous reserves of oil and gas. In India's case, its energy scarcity is well-known. While with India, the U.S. was confident enough to accept the reality of its nuclear capability and seek limitations only in the future development of nuclear weapons, in the case of Iran, the effort was to halt and roll back the capability that Iran could acquire.

India's votes at the International Atomic Energy Agency (IAEA) against Iran, which was widely criticised in India for being a betrayal of its principle of non-alignment, were inspired by India's stance against proliferation. India certainly does not want another nuclear power in its neighbourhood. Interestingly, some might argue that having a nuclear armed Iran hostile to Pakistan might be in India's interest! The deal would also normalise relations between New Delhi and Tehran to one where there is no outside pressure on India. For many years, India baiters in Washington took India's relations with Iran as a litmus test of India-U.S. relations. With the deal done, India-Iran relations can now develop organically.

Many economic and strategic advantages could accrue to India because of the deal. For one, India has understandably been concerned about nuclear proliferation in its neighbourhood. It certainly did not see another nuclear power in the region as being conducive to peace and security in the region. Peace in West Asia, where India has major economic and strategic interests, has always been dependent on the maintenance of a delicate balance between Saudi Arabia and Iran.

Importantly for India, which imports over 70 percent of its oil, oil prices will come down significantly with the influx of Iranian oil into the world market. This would have positive spin-offs for the Indian economy like a decrease in inflation, construction costs and so on. Given the current government's focus on India's development, this would fit in neatly with the government's plans to promote growth and provide jobs to Indian youth by reviving the manufacturing sector through the "Make in India" campaign.

The end of Iran's isolation could also mean that India can go ahead with the International North-South Transport Corridor and the Chabahar project, which could become India's entrée to Afghanistan circumventing Pakistan and where it has already invested \$85 million. Moreover, India and Iran can cooperate more in Afghanistan now, building on their previous history of cooperating against the Taliban through the Northern Alliance. There is also shared concern about terrorist groups and ISIS affiliates in the region. Neither India nor Iran wants an Afghanistan that is a client state of Pakistan or an unstable Afghanistan which could be a sanctuary for terrorist organisations.

Iran could emerge as the top oil and gas supplier to India. Moreover, Indian companies could help build oil and gas

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infrastructure in Iran. India has the largest petrochemical complex in the world in Jamnagar even though it does not have large reserves of hydrocarbons. Iran's sweet crude oil, with its low Sulphur content, is much easier to refine than oil from other countries. Modernisation of Iran's energy infrastructure would not only open up more business opportunities for Indians, but perhaps also jobs. India needs to provide jobs to the million Indian youths who enter the job market every year, and there are already about 7 million Indian workers in the Middle East. Moreover, Iran could turn out to be a market for refined petroleum products from India. India could also get involved in the development of more oil and gas fields in Iran. Importantly, with Iran joining the comity of nations, oil passing to India through the Strait of Hormuz is expected to be safer now.

There is tremendous scope for Indian pharmaceuticals in Iran since it has an acute shortage of medicines on account of the sanctions regime. Indian medicines, which are considerably cheaper than Western medicines, could find a ready market in Iran. They could also start manufacturing units in Iran in the longer term. India has recently emerged as an important destination for medical tourism, because of its affordable healthcare, skilled doctors, cheap travel and burgeoning pharmaceutical industry. It is estimated that India will have about 5 million medical tourists by 2016. There is an opportunity here for Iranians as well. For this, of course, India will have to ease visa restrictions on Iranians.

Even as its relations with Iran grow stronger with the end of Iran's isolation, India will have to negotiate a delicate balance vis-à-vis its relations with the countries of the Gulf Cooperation Council (GCC), especially Saudi Arabia given the much-written about new Cold War emerging between Riyadh and Tehran and the ongoing Shia-Sunni conflicts in the Middle East. Its relationship with Israel, which has described the deal as a "historic mistake", will also have to be managed. India should carefully watch how other major powers negotiate their relationships given the "new normal" in the region and calibrate its own policies accordingly. With the U.S. focussing its attention on the Asia-Pacific and away from the Middle East, the role of regional powers will amplify and give India an opportunity to play a part in helping to construct a new regional architecture in the Middle East. So, now is the right time for Prime Minister Narendra Modi, who has already visited 26 countries, to make his first visit to West Asia to reinvigorate India's engagement with the region. His visit to the UAE in the second week of August 2015 might be the first sign of this.

About the author:

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