



## India-Iran Relation Present and Future

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### ABSTRACT

India and Iran have sought to transform their bilateral relation with limited success. The two countries shared border till 1947, so share common feature between both- language, culture, and traditions. Both south Asia and Persia have strong political, commercial, cultural relations and people to people links. India's efforts to develop closer ties with Iran. Indian P.M. Modi try to establish healthy relation in both countries. Political, economic and technological interests, and a shared perception about evolving geo-strategic environment, relations between India and Iran started improving bilateral relation.

**Keywords:** *India, Iran, bilateral relation, political, commercial, cultural, technological, geo-strategic.*

### INTRODUCTION

India-Iran relation are the bilateral relation between both countries.<sup>1</sup> India-Iran relation span centuries marked by meaningful interactions. The two countries shared border till 1947, so share common feature between both- language, culture, and traditions. Both south Asia and Persia have strong political, commercial, cultural relations and people to people links.<sup>2</sup> after independence India established diplomatic relation with Iran on 15 march 1950.<sup>3</sup> in 1950 both countries signed a friendship treaty which called for 'perpetual peace and friendship' between two states.<sup>4</sup> during cold war period, relation between both countries suffered due to different political interests- non-aligned India fostered strong military links with USSR while Iran enjoyed closed ties with USA.<sup>5</sup> In 1955, Mohammad Reza Shah joined the Bagdad pact fearing that communism would undermine his regime. India's p.m. Nehru denounced the Bagdad pact SEATO as a 'wrong approach, a

dangerous and harmful approach.' To international relations.<sup>6</sup> India dispute with Pakistan on Kashmir issue when Iran support to Pak. During indo-Pak war in 1965 and 1971, Iran provided military assistance to Pakistan.<sup>7</sup> following the 1979 revolution, relations between Iran and India strengthened momentarily. However, India's continued support for Pakistan and India's close relation with Iraq during the Iran-Iraq war impeded further development of Indo-Iran ties. The two countries signed a defence cooperation agreement in DEC 2002.<sup>8</sup> Indian Prime Minister Narendra Modi's visit to Iran served as a fillip to the traditionally warm bilateral relations between the two nations. He visited the country following a trip by External Affairs Minister Sushma Swaraj and Minister of State for Petroleum and Natural Gas Dharmendra Pradhan in April 2016. India has sent a clear message of wanting to strengthen economic ties with Tehran through these visits. Both the nations have always maintained friendly relations despite the sanctions imposed on Iran. Tehran's alignment with Washington during the Cold War and New Delhi's non-aligned position proved to be an ephemeral deterrent. India's disapproval of the 1979 Iranian Revolution also temporarily soured ties between the two nations.<sup>9</sup>

### Modi's foreign policy for Iran-

The most significant initiative made by the govt. is the focus on neighbouring countries and major Asian powers.<sup>10</sup> P.M. Modi is now set to take India-Iran relations to new highs.<sup>11</sup> Modi want to make deep political, economic, social and cultural relation with Iran. P.M's diplomacy with Iran has been rooted in political, commercial and energy interests and buttressed by civilizational links. New Delhi's

contemporary cooperation with Iran is mainly premised on India's energy security, access to Afghanistan and central Asia.<sup>12</sup> Modi reboots ties with Iran after international sanctions on the country were removed following the nuclear deal. India's west policy has been bi-directional approach but Modi expanded into tri-directional foreign policy to accommodate the three pillars of west Asia- Saudi Arabia, Iran and Israel. Modi visits take off Indo-Iran relation on new destinations.<sup>13</sup>

### **Modi visit to Iran**

P.M Modi visit to Iran on 22-23 May 2016. As Prime Minister Narendra Modi arrived in Tehran for his first visit — 15 years after the last Indian PM to come to Iran, Atal Bihari Vajpayee — India and Iran were preparing to sign about six agreements and talk about trade and connectivity. However, Pakistan is going to be the elephant in the room during the talks between Prime Minister Narendra Modi and Iran's President Hassan Rouhani on Monday. This will be especially pertinent as Afghanistan President Ashraf Ghani will join Modi and Rouhani, in the signing of the trilateral agreement on Chabahar. The development of Chabahar is seen as a competitor to the China-backed Gwadar port in Pakistan.<sup>14</sup> Modi stated that "India and Iran are not new friends. Our dosti is as old as history." Modi signed a historic deal to develop the strategic port of Chabahar in Iran and agreed on a three nation pact to build a transport and trade corridor through Afghanistan that could help have the time and cost of doing business with Central Asia and Europe. Developing the Chabahar port was seen as crucial for India because it will not only allow New Delhi to by-pass Pakistan and access global markets but also counter China's expanding influence in the Indian Ocean region.<sup>15</sup> P.M. Modi said that "the Chabahar agreement will expand trade, attract investment, build infrastructure and create jobs for youth...it's a place to realise the importance of curbing radicalism, removing the shadows of terror and spreading the sweetness of familiarity between our people."<sup>16</sup>

### **Major agreements signed during P.M's visit-**

The 12 agreements and MoUs signed during Prime Minister Narendra Modi visit to Iran to further deepen bilateral ties in diverse fields. The agreements were signed in presence of Iranian President Hassan Rouhani and Modi.

- 1) Development of Chabahar port: India has pledged to invest \$500 million for the development of the port. The bilateral contract signed between IPGPL [India Ports Global Private Limited] and Arya Banader of Iran envisages development and operation of two terminals and five berths with cargo handling for both multipurpose and general capacities for the next ten years.
- 2) India was competing with China to clinch the deal and this is a big win for India given its strategic value. The port is located in the southern part of Iran, barely 100 KMs away from Pakistan's Gwadar port, which China is developing as part of its China-Pakistan Economic Corridor (CPEC).
- 3) India-Iran-Afghanistan Trilateral Agreement: Indian railways entity IRCON will provide services to Iran's construction company, CDTIC, for the construction of the Chabahar-Zahedan railway line, which is a part of the transit and transportation corridor to be developed between Iran and Afghanistan. India will benefit immensely from gaining access to Iranian and Afghan markets bypassing Pakistan. This will also make Central Asia and Europe more accessible to India than it is today.
- 4) 3 .Credit For Chabahar Port: India's Export Import Bank (EXIM) has signed a MoU with Iran's Ports and Maritime Organization (PMO) that will enable it to extend a credit of \$150 million for the development of Chabahar port.
- 5) Confirmation MoU: Signed between EXIM and Iran Central Bank, this confirms the availability of credit up to Rs. 3000 crore for the import of steel rails for Chabahar port.
- 6) Manufacturing: India's National Aluminium Company Limited (NALCO) and the Iranian Mines and Mining Industries Development and Renovation Organization (IMIDRO) will "jointly explore the possibility of manufacturing aluminium metal by setting up of a smelter on joint venture basis in Iran and/or entering into tolling arrangements with smelters in Iran or any other form of business collaboration including sale of alumina etc."
- 7) Cooperation in foreign trade and investment: Export Credit Guarantee Corporation Limited of India and the Export Guarantee Fund of Iran signed a MoU to establish a framework of cooperation in supporting and encouraging foreign trade and foreign investment between the two countries.



- 8) Cultural Exchange Program (CEP), covering areas such as culture, art, radio, TV, mass media and cinema has been extended till the year 2019.
- 9) Indian Council for Cultural Relations (ICCR) and Islamic Culture and Relations Organizations (ICRO) of Iran signed a MoU that aims to develop institutional mechanisms for cooperation between the two institutes and “lays down the modalities for the cooperation.”
- 10) Science and Technology department of both countries agreed on an implementation protocol, pursuant of the 2003 MoU, covering areas like “exchange of experiences, seminars, conferences etc.”
- 11) Foreign Ministry departments of both countries agreed to enhance cooperation on training of diplomats and exchanging eminent speakers.
- 12) Both countries’ external affairs ministries signed a MoU that will encourage the engagement of think tanks on both sides by establishing new institutional mechanisms for cooperation. A conference can be held to discuss the contemporary issues of regional and global significance.
- 13) Cooperation on Archival matters: Both countries agreed on the “facilitation of exchange of information and knowledge in the field of archival matters through exchange of manuals, guidelines, rules, publications and other special literature on archival topics.”<sup>17, 18</sup>

### **Political relation**

Independent India and Iran established diplomatic links on 15 March 1950. In addition to the Embassy in Tehran, India currently has two Consulates in Iran - Bandar Abbas and Zahedan. The Shah visited India in February/March 1956 and Prime Minister Pandit Jawaharlal Nehru visited Iran in September 1959. Prime Minister Smt. Indira Gandhi visited Iran in April 1974 and Prime Minister Shri Morarji Desai visited in June 1977. The Shah, in turn, visited India in February 1978. The Iranian Revolution in 1979 introduced a new phase of engagement between India and Iran marked by exchange of high level visits of Indian Prime Minister Shri Narasimha Rao in September 1993, Iranian President Akbar Hashemi Rafsanjani in April 1995 and Indian Vice President Shri K. R. Narayanan in October 1996. The trend was consolidated and enhanced at the turn of the millennium with visits by Prime Minister Shri Atal Bihari Vajpayee in 2001 and a return visit by President Mohammad Khatami in 2003, when he was

also the Chief Guest at the Republic Day function. The Iranian President Dr. Mahmoud Ahmadinejad visited India on 29 April 2008. Prime Minister Dr. Manmohan Singh visited Iran to attend the 16th Nonaligned Movement (NAM) summit held in Tehran on 26-30 August 2012. Iran assumed the presidency of NAM in 2012. On the sidelines, Hon’ble Prime Minister met Supreme leader Ayatollah Ali Khamenei and President Dr. Mahmoud Ahmadinejad. Both sides reviewed the entire gamut of bilateral relations and called for further strengthening the centuries old relationship between India and Iran. In May 2012, Iranian Foreign minister Dr. Ali Akbar Salehi visited India, as president’s special envoy, to invite Prime Minister for the 16th NAM summit.<sup>19</sup>

### **Economic relation**

Economic and trade relations are the weakest link in India’s overall relations with Iran. India and Iran have been trying hard to enhance cooperation in this field. In a recent media interview, Petroleum Minister Dharmendra Pradhan expressed India’s desire to become Iran’s strategic partner when a new economy is taking shape in the post-sanction periods. Economic ties could get an impetus during Modi’s visit if trade related agreements including on Double Taxation Avoidance and Bilateral Investment Protection and Promotion as well as an early launch of negotiations on a Preferential trade Agreement get finalised.<sup>20</sup> India-Iran bilateral trade registered a healthy 18.77% growth during the fiscal 2011-12. The total value of the bilateral trade for the period stood at US\$ 15.94 billion. India imported US\$ 10.93 billion worth of goods mainly crude oil and exported commodities worth US\$ 2.40 billion. India’s export to Iran registered a decrease of 3.77% during the fiscal 2011-12 compared to the period 2010-11, mainly due to problems with the banking channels. The recent economic sanctions imposed on Iran have had an adverse effect on the bilateral trade as the international banking channels have gradually become non-existent.<sup>21</sup>

### **Cooperation in energy, oil and gas sector**

Iran, with the world’s second largest gas reserves and fourth largest oil reserves country. Oil and Gas. In 2008–09, Iranian oil accounted for nearly 16.5% of India's crude oil imports. Indian oil imports from Iran increased by 9.5% in 2008–09 due to which Iran emerged as India's second largest oil supplier. About 40% of the refined oil consumed by India is imported

from Iran. In June 2009, Indian oil companies announced their plan to invest US\$5 billion in developing an Iranian gas field in the Persian Gulf.<sup>22</sup>

### **Why Chabahar is indispensable for India**

After the much hyped Economic Corridor from China to Pakistan's Gwadar port, developed by China, and which can be used to station nuclear submarines in time of war against India, Chabahar acts as a counter. Located 72 kms west of Gwadar it can be India's answer to counter the Sino-Pak's joint strategic move to corner India. India will help develop the port and invest around \$200 million to develop terminals and cargo berths there. A 500-km railway line between Chabahar and Zahedan will also be built with Indian collaboration.<sup>23</sup>

### **Strategic Importance of iran**

1. India is involved in the construction of a 560 mile long railway linking the Iranian port with the iron ore mines of Afghanistan. This venture is linked to a larger geopolitical and economic strategy.
2. The railway link when completed can provide a boost in the arms for India in terms of strategic benefits. The completion of the track will increase the leverage in Afghanistan and Central Asian region as India can bypass Pakistan completely. Indian companies can explore the mineral wealth of Afghanistan, which is estimated at a staggering \$3trillion
3. A potential future benefit would be India's greater involvement in the central Asian region, something that India is unable to do now as it is sandwiched between Pakistan and China. The mineral wealth could go a long way in meeting the energy security for India.
4. The strategic importance of Chabahar port for India cannot be emphasized enough. Chabahar is the natural gateway to India into Afghanistan and central Asia .Iran has heavily invested in Chabahar by establishing rail connectivity with Afghanistan as well as expanding the port of Chabahar. Since Chabahar lies just 1000 Kilometres of Kandla, Gujarat, a direct shipping route can be opened between India and Chabahar.
5. India has been facing the problem of doing business or humanitarian work in Afghanistan thanks to the overt interference of hostile neighbouring country; Chabahar route solves the access issue. Iran remains important to India both for its geopolitical location as well as from

economic point. All efforts must be made to maintain a mutually beneficial tie between the two countries.<sup>24</sup>

### **What does the future hold?**

India and Iran have a long and complex geopolitical relationship which is currently better than in years past and they will probably do their level best to maintain this position for now. My guess is that India will slowly look for other sources of oil to reduce dependence on Iran. Saudi Arabia is an obvious source here as India continues to build on its relationships with the Arab states. Iran's nuclear endeavours will continue to push India in this direction. Their current position may be compounded by the recent terrorist attack in New Delhi on a vehicle belonging to the Israeli embassy in February. Israel has blamed Iran for the attack and investigations are underway. If Iranian involvement is identified this could cause a lot of stress on India's current position.

### **Conclusion**

For India, Iran continues to remain important for various reasons: energy security, countering Pakistani Taliban in Afghanistan, access to trade and transport connectivity with Central Asia and Afghanistan and, to some extent, managing the domestic political dynamics. India does not want to be a victim of the US policy in West Asia. However, equally important for India is its strategic partnership with the US. In the current context, the real test for India and Iran is to maintain and sustain the current momentum.

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