

India to face impact of U.S. decision on Iran

Huge investments:Narendra Modi and Afghan President Ashraf Ghani after signing a transit agreement on Chabahar, in Tehran on May 23, 2016.AFP

Despite U.S. President Donald Trump's decision to pull out of the Joint Comprehensive Plan of Action (JCPOA) on Iran, the deal itself will not be scrapped as long as Iran and the other signatories — the U.K., France, Russia, China, Germany and the European Union — remain committed to it.

Even so, India will face the impact of the U.S. decision.

Oil prices

Iran is India's third biggest supplier (after Iraq and Saudi Arabia) of crude oil, and any increase in prices will hit both inflation levels and the rupee, which slumped to \$67.48 after the decision was announced.

Crude prices crossed \$76 a barrel on Wednesday, touching a four-year high. After Iranian President Hassan Rouhani's visit to New Delhi in February, India committed itself to increasing its oil imports from Iran, which were expected to double to about 3,96,000 bpd (barrels per day) in 2018-19 from about 2,05,000 bpd in 2017-18.

Non-oil trade with Iran, which stood at about \$2.69 billion of the total trade figures of \$12.89 billion in 2016-17, may not be affected as much, as New Delhi and Tehran have instituted several measures in the past few months.

Chabahar port

India's moves over the past few years to develop berths at the Shahid Beheshti Port in Chabahar was a key part of its plans to circumvent Pakistan's blocks on trade with Afghanistan, and the new U.S. sanctions could slow or even bring those plans to a halt. India has already committed about \$85 million with plans for a total of \$500 million on the port.

India is a founder member of the 18-year-old International North South Transport Corridor (INSTC) that starts from Iran and aims to cut right across Central Asia to Russia over a 7,200-km multi-mode network.

Plans for INSTC gathered momentum after the JCPOA was signed in 2015 and sanctions on Iran were lifted. New U.S. sanctions will add to possible sanctions from the U.S.'s new CAATSA law of January 2018, that threatens strictures on countries doing military trade with the U.S.'s "adversaries": Russia, North Korea and Iran.

SCO membership

India joined the Shanghai Cooperation Organisation last year, and will be formally admitted in June.

This year, Chinese officials say they will consider inducting Iran into the eight-member Eurasian security organisation. If the proposal is accepted, India will become a member of a bloc that will be seen as anti-American.

Rules-based order

India has long been a proponent of a “rules-based order” that depends on multilateral consensus and an adherence to commitments made by countries on the international stage, that the Trump administration has breached by walking out of the JCPOA, as well as earlier from the Climate Change agreement. New Delhi will have to consider a new understanding of its ties with Washington in this context.

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