

Despite Trump walkout on Iran, Delhi should back Europe

US President Donald Trump has withdrawn from the Iran nuclear deal (known as the Joint Comprehensive Plan of Action or JCPOA), berating the Obama-era diplomatic coup to curtail Iran's nuclear programme as a "horrible one-sided deal that should have never, ever been made." Like the rest of the world, India is expected to be caught in the crosshairs of this potential fallout.

The two most prominent issues arising out of this decision for India are the future of the Chabahar port project and the bilateral trade in oil. Both these are not just important to India's economic and strategic thinking, but critical to maintain the 'civilisational' bilateral relationship. The idea of potential disruptions could significantly impact the delicate balance that exists in both these areas.

India's commitment to the Chabahar port is emblematic of the current state of play between India and Iran. Delhi has committed \$500 million so far, and hopes to be the single major driving force in that Special Economic Zone (SEZ). But there's much more to Chabahar than meets the monetary eye. Importantly, it offers Afghanistan an alternative route and therefore, dependence, on Pakistan's Karachi port.

The reverse, naturally, is also true. Chabahar offers greater market access to the economies of Central Asia. Lastly, it could become a hub for prospective undersea oil and gas pipelines, not just tapping into the vast Iranian reserves, but also ones available in the regions around the Caspian Sea.

The second point of potential fracture in the India-Iran relationship is the impact on the price of oil, which is expected to dramatically go up in the international market. India is already paying the highest price for both diesel and oil across all of South Asia, even when the pre-barrel price of oil has been under \$50. Since India remains one of the world's top three net importers of crude, the likely burgeoning of oil prices will be directly linked to inflation.

With several very important state elections round the corner, in the run up to general elections a year from now, any political party will hesitate to take tough decisions on the price of oil. The Indian economy, already reeling from the effects of demonetisation and GST, will find this a tough cross to bear.

Despite Trump, however, Delhi should continue to back the European effort to keep the JCPOA alive. Working with Paris, London and Berlin to keep Iran an integral part of global economics gives India great leverage not just in its dealings with Tehran, but Washington as well — wisdom that has its learning from hard, past experiences.

Remember that Delhi had a tough time dealing with the Obama administration, even when the early JCPOA negotiations were launched and especially during the US-led sanctions prior to that. Obama pressed Delhi to curtail its economic relations with Iran, specifically in the area of purchasing oil.

From 2012 to 2014, New Delhi and Tehran found it incredibly hard to continue trade in hydrocarbons as sanctions squeezed out financial highways. Both countries were forced to make alternative arrangements, including the age-old system of barter. India managed to make some payments via a bank branch in Turkey, but when sanctions shut down that option as well, as much as \$6 billion was deposited in a UCO Bank account in Kolkata, waiting for a sunnier day to be paid out.

As a result, the erstwhile Iranian president Mahmoud Ahmadinejad mounted considerable

pressure on then Prime Minister [Manmohan Singh](#), sending officials who threatened Delhi with losing exclusive access to the Farzad B gas field, one of the biggest in Iran, which had been discovered by ONGC Videsh.

Delhi sought to walk a fine line, between managing US expectations and making sure it did not appear to bend over backwards in front of it, all the while preparing to vote against Iran at the UN.

Meanwhile, the Iranians tried to come up with solutions to the impasse, a remarkable feat of maturity from a usually difficult polity, which included financial transfers via Oman (India rejected this as being against its commitments to the Financial Task Force on Money Laundering) and plans to open a Tehran bank branch in New Delhi. (The proposal was rejected by then Home Minister P Chidambaram.)

Returning to the present, we saw how Prime Minister Modi, during the 2017 winter session of parliament, reiterated that India's foreign policy stood on its own independent merit, and if it wanted to purchase oil from Iran, it would do so. But this resolve, while admirably backed by a robust Indian outreach to the Middle East over past three years, seems somewhat disjointed from the ground realities of current international relations.

While the next few weeks will offer more clarity on how the Trump walkout will play out, it is important to remember that India and Iran maintained vigorous diplomatic contacts behind the scenes even during their toughest period, as did Iran and the US.

Today, a return to the pre-JCPOA sanctions regime will require significantly more management bandwidth from Indian diplomacy than what it had to employ with the Obama administration. Preparations for this need to begin as soon as possible.

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