



PERSPECTIVES

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The Impact on India of the Collapse of the Iran Nuclear Deal

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EXECUTIVE SUMMARY: The withdrawal of the US from the Iran nuclear deal is likely to deal a blow to India's strategic investments in energy-rich Iran and land-locked Afghanistan as the Chinese strategic footprint there grows. Maintaining good relations with both Riyadh and Tehran will also become more challenging for New Delhi. The Iran dilemma materialized at the wrong time for Prime Minister Narendra Modi, as India is preparing for parliamentary elections in less than a year. The pressure being exerted by the Trump administration on the Modi government to stop all oil imports from Tehran is set to complicate India's diplomatic ties with Iran. It remains to be seen how India will secure its interests in Afghanistan and Central Asia without Iranian support.

Following US President Donald Trump's withdrawal from the 2015 Joint Comprehensive Plan of Action (JCPOA), the Iran nuclear drama continues to trigger geopolitical reconfigurations and strategic realignments.

Washington's latest decision to postpone the high-level inaugural 2+2 dialogue with New Delhi, scheduled for July 6 in Washington, is not helpful to the generally favorable atmosphere in Indo-US relations. The 2+2 dialogue format was one of the major takeaways from Modi's landmark visit to the US in June 2017. India's external affairs minister Sushma Swaraj and defense minister Nirmala Sitharaman were scheduled to visit Washington to hold joint talks with their counterparts, Mike Pompeo and James Mattis.

The postponement comes at a time when New Delhi has been asked to "go to zero" in Iranian oil imports by November 4. This tough message was delivered by Nikki Haley, the US permanent representative to the UN, during her recent

India visit. It is not clear if the Trump administration's abrupt decision is linked to India's reported reluctance to cut down on oil supplies from Iran, but it clearly indicates the uncertainty characterizing Indo-US relations regarding Iran.

Trump is tightening the screws on Tehran as it begins to impose severely punitive sanctions. India is also facing tremendous pressure following the categorical message from the Trump administration to all American allies and partners to stop all oil imports from Tehran. Trump wants to see visible steps taken in this direction in the wake of the US withdrawal from the Iran nuclear deal. Given the huge geopolitical and geoeconomic stakes for India in Iran, this is a serious challenge for New Delhi.

Trump's message to India is clear. As declared by Haley in New Delhi, "The Tehran regime is the hidden – and sometimes not-so-hidden – force behind most of the conflict in the region... Iran's pursuit of a nuclear weapon threatens all of us." In an interview, Haley reiterated the message: "I think for the future of India, future of resources, we would encourage them to rethink their relationship with Iran." In this line of thinking, the US has its most enthusiastic partner in Saudi Arabia, India's close ally in the Middle East.

New Delhi has thus far been able to maintain warm ties with both Riyadh and Tehran, though it means walking a tightrope. Iran is currently India's third-largest supplier after Iraq and Saudi Arabia. India would prefer to hold this course of pragmatic and balanced engagement, which has allowed it to deftly play both sides' geopolitical needs in a highly volatile region. However, things will not remain the same post-nuclear deal withdrawal. The fast-changing geostrategic dynamics of the region make the continuation of such a policy far more complicated.

Modi has been supportive of the Iran nuclear deal. During Iranian President Hassan Rouhani's India visit in early 2018, the joint statement reflected New Delhi's support for the full implementation of the agreement. Following the 2015 signing of the deal, India enhanced its business, economic, and strategic engagement with Iran. Indian businesses are now worried that their ties with Iran could come under stress.

Moreover, Indo-Iranian ties are not confined to oil and business. New Delhi believes India's strategic ambitions in Central Asia cannot be realized without Iranian backing. India's commitment to build Iran's Chabahar Port on the Gulf of Oman, connecting India to Afghanistan, through which it can gain access to Central Asia and Eurasia bypassing Pakistan, is a case in point.

Despite diplomatic pressure, Pakistan has not acted decisively against India-focused Islamist terror groups, which are the single-largest hurdle to a cordial

relationship between Islamabad and New Delhi. Regional trade and connectivity have been major victims of Pakistan's anti-India strategic culture as well as deep Afghan-Pakistani animosity. Hence, India's immediate challenge is to improve its energy security and ensure regional connectivity in order to reach landlocked Afghanistan and Central Asia by developing the Chabahar Port. This is also important for the Afghan economy as it would slash Kabul's dependence on foreign aid and put a major dent in the illicit opium trade.

Even as it presses India to lessen its oil dependence on Iran, the US has favored the India-backed Chabahar Port. However, Washington's view on Chabahar is not surprising, as it is intimately connected with America's continuing war effort in Afghanistan. Though India's strategic community has often projected Chabahar Port as India's geopolitical response to the China-backed Gwadar Port in Pakistan, the reality is somewhat different. As Iran has accepted China's massive participation for the sake of economic development, there is nothing to suggest that Tehran would allow Chabahar Port to be used for anything other than trade.

The fallout of the nuclear deal's demise will likely also be felt in India's emerging defense connections with Iran. In February of this year, New Delhi and Tehran vowed to step up maritime cooperation. Attempts are also being made for regular and institutionalized consultations between Indian and Iranian agencies on terrorism, organized crime, money laundering, drug trafficking, and cybercrime. These interactions will now come under intense American scrutiny.

If the Saudi-Iranian competition escalates further, it will likely lead to further Islamist radicalization in South Asia, with a likely spillover effect on India. If Tehran decides to increase its support to the Taliban insurgency, it will be a huge blow to regional peace and security. The Taliban has been historically considered by Tehran as one of Iran's enemies. During its initial military campaign to take control of Afghanistan in the 1990s, the Taliban used to target the Afghan Shiite population due to their religious affiliation. Iran was also a part of the regional grouping – including India and Russia – that supported the anti-Taliban Northern Alliance. However, with the advent of ISIS in Khorasan Province (ISKP), Iran sees the utility of its long-time rival as a partner. There are reports of Tehran providing small arms and training to the Afghan Taliban. For its part, the Taliban has attempted to demonstrate solidarity with Afghan Shiites when the latter were targeted by the Sunni-dominated ISKP.

Post-nuclear deal withdrawal, Tehran may pursue with more vigor the policy of denying a victory to the US-led coalition in Afghanistan. If Afghanistan becomes a theater of US-Iranian confrontation, politically negotiated settlement with the Taliban will become even more difficult. Afghanistan may also witness

renewed rivalry between Iran and Saudi Arabia. The Trump administration cannot be expected to remain a mute spectator in the face of possible Iranian disruption. Regime change in Tehran may be President Trump's ultimate aim, but America's options for taking military action against Iran from Afghan soil are currently constrained due to the Pakistan factor.

Despite vowing to pressure Islamabad to crack down on terrorists on Pakistani soil who target Americans in Afghanistan, the Trump administration has not been able to follow through with the major punitive measures it had suggested could be in the offing. The US is worried that taking harsh measures could prompt Pakistan to strike back by shutting down vital supply lines on its soil used by the American military in Afghanistan. Islamabad is aware of both its ability to use supply lines as a powerful instrument of leverage and Washington's inability to find alternate supply routes in Central Asia.

It remains to be seen how New Delhi and Kabul will keep working with energy-rich Iran despite the sanctions regime. If both are left with no option but to reduce their economic engagements with Tehran, this is bound to dramatically alter the geopolitical landscape of the region.

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