

Walking a Fine Line: Israel, India, and Iran

Yiftah S. Shapir

Introduction

Since Israel and India established formal diplomatic relations in 1992, bilateral economic ties and security relations have grown stronger. India is the Israeli defense industry's largest customer, and Israel is India's second most important supplier of weapon systems. However, Israel has not succeeded in reaching the degree of closeness that perhaps might have been expected with as important a partner as India.

India also maintains close ties with Iran. Although the relationship has undergone upheaval and change over the years, vacillating between close and distant, it is built on a solid foundation comprising many elements, including historical, cultural, economic, and even security aspects. As such, Israel and India do not see eye to eye on the issue of Iranian nuclearization, and Iran's relations with India are one of the prominent obstacles to enhanced relations between Israel and India.

This article will analyze the relationship between India and Iran and will attempt to examine its ramifications for India's future ties with Israel.

Historic Ties between India and Iran

India and Iran have a tradition of ties dating back thousands of years.¹ As early as the sixth century BCE, Darius I conquered the Indus Valley. After the Islamic conquests, Islamic religion and culture became a new connecting link.

During the Cold War, relations between the two countries were distant at best. Iran enjoyed warm relations with the United States, while India adopted a non-aligned policy that included a socialist world

Yiftah S. Shapir is a senior research fellow at INSS.

view that brought it closer to the Soviet Union. Iran supported Pakistan, manifested in political and material aid during the violent outbreaks between India and Pakistan and in adoption of a firm stand against India on the issue of Kashmir. At the same time, relations between Iran and India were not characterized by fierce hostility. Over the years, there were reciprocal visits by senior officials, and Iran even gave India its political support during India's war with China in 1962.

The Islamic Revolution in Iran changed the relationship entirely, although in the first decade of the Islamic Republic, relations between the two countries were still cold. While Iran abandoned its pro-American orientation and became a member of the Non-Aligned Movement, India was suspicious of Iran's efforts to export the revolution throughout the Muslim world. Iran also continued covert cooperation with Pakistan in aiding the mujahidin in Afghanistan.

The turning point in relations between the two countries occurred shortly after the end of the Cold War. The most notable change was the September 1993 visit to Tehran by India's then-prime minister, P. V. Narasimha Rao, which was followed by other high level visits. Since then, relations have fluctuated between warm and chilly, mutual condemnations, and the freezing of various ventures. Thus, the relationship between India and Iran went from high points, with

India is under heavy political pressure to stop oil imports from Iran entirely, but it would be hard pressed to find alternative sources of crude oil, in terms of both quality and shipping costs.

cooperation documents (the Tehran Declaration of April 2001 and the Delhi Declaration of January 2003), to low points after India grew closer to the United States and voted against Iran regarding its nuclear program at the Board of Governors of the International Atomic Energy Agency in 2005 and 2006. Relations improved in 2007 and 2008, but today, especially because of the sanctions regime tightening around Iran, relations are again distant.

The underlying reason for the fluctuation is that the relationship is multifaceted. A large number of subjects lie at the core of the relationship, and interests alternately clash and converge. The relationship also depends on a large number of actors that have complex relations with the two parties, and developments in one relationship affect the other relationships as well.

Iran's Strategic Importance for India

Iran's main importance is its hydrocarbon resources, as it holds some 10 percent of the world's proven crude oil reserves² and some 15 percent of the world's proven natural gas reserves. Its location on the Persian Gulf coast allows it to control the Strait of Hormuz and to threaten to block maritime traffic in the strait. Iran also has one of the largest armed forces in the region, with significant maritime capabilities and ballistic missile capabilities unique in the region. Another factor that greatly affects bilateral relations is Iran's importance for India as a Muslim state, as India has a population of some 160 million Muslims.³ Indeed, India is apparently the country with the second largest Shiite population in the world.⁴

Energy

Imports of oil from Iran are often cited as the most important factor behind India's need for good relations with the Islamic Republic. India has been undergoing rapid growth for two decades and is thirsty for energy.⁵ Some 600 million Indians lack access to electricity. Indian officials believe that in order for their country to gain what they see as its rightful place in the global economy, it will have to triple or quadruple its supply of energy and will need a six-fold increase in its supply of electricity.

India is also under international pressure to reduce its greenhouse gas emissions, and therefore it seeks sources of cleaner energy such as gas. This was the reason for initiation of the IPI oil pipeline project, which was designed to bring gas from the South Pars gas field in the Gulf to India, through Pakistan. Today, the project is frozen (in recent months an agreement was signed between Iran and Pakistan to build the Iranian-Pakistani part of the pipeline). In the meantime, India has begun to express interest in alternative proposals.

In recent years, India has imported from Iran some 12 percent of its crude oil consumption. For its part, Iran has very few remaining oil customers (mainly China, South Korea, India, and Japan). Moreover, the sanctions imposed on Iran have led to a gradual decline in its production capacity, and there is a serious lack of refining capacity. Thus while India has imported crude oil from Iran, it has exported refined oil products to Iran and in particular, benzene for vehicles. Iran has almost none of the technology for exploiting natural gas, nor the facilities necessary to produce liquefied natural gas.

In the past two years, it has become harder for India to import oil from Iran. In December 2010, India acceded to requests from the United States, and the Reserve Bank of India (RBI) banned Indian companies from paying for the purchase of crude oil through the Asian Clearing Union (ACU),⁶ which blocked the main route for payments for imports of crude oil from Iran.⁷ The sanctions have forced Indian importers to seek other routes for payment. Today, the Iranians receive some of their payments in rupees, which is not an international currency. In addition, the trade relationship between India and Iran is far from balanced: while annual Indian imports from Iran total about \$11 billion, Indian exports to Iran are only about \$1 billion.

Today's energy ties between India and Iran are on the brink of a crisis. While India is under heavy political pressure to stop the imports entirely, it would be hard pressed to find alternative sources of crude oil, in terms of both quality and shipping costs.

Geostrategy

For India, Iran serves as a land bridge both to countries in the Caucasus and to the nations of Central Asia, and through them, to North and Central Africa.⁸ Since the subcontinent was divided between India and Pakistan, India has been blocked from direct access not only to Central Asia, but also to Afghanistan. Iran is the only bridge that allows India access to Afghanistan, whether for economic or security purposes.

Several large projects have been designed that were intended to respond to this Indian need. The most important of them are the Chabahar port and the North-South corridor. The Chabahar port is in southwest Iran, along the Indian Ocean coast, some seventy kilometers from the Iran-Pakistan border. It is intended for use as a port of transit for goods destined for Afghanistan, and through it, the countries of Central Asia. From India's point of view, it has tremendous importance, and together with Iran, India has initiated a number of joint projects concerning development of the port and ground transport routes to it.

The International North-South Transport Corridor (INSTC) is based on a multilateral agreement for developing traffic in a land corridor that runs the length of Iran and continues into Russia, both through the Caspian Sea on a maritime route, and along the coast of the Caspian Sea on a land route, and there is another route in the direction of the Caucasus. Today, there are eleven signatories to the agreement.

Nonetheless, the full potential of the two programs is far from realized, both for security reasons and because of Tehran's fears concerning India's true position toward Iran.

India-Iran: Issues in Bilateral Relations

Pakistan

Since Pakistan received its independence in 1947 and the Indian subcontinent was divided, India's foreign relations have been dictated by its relationship with Pakistan. The hostility between the two countries has led to three rounds of armed conflict, countless incidents and terrorist attacks attributed to Pakistan, and an ongoing serious territorial dispute over Kashmir.

During the Cold War, Iran clearly sided with Pakistan: both are Muslim countries and both were allies of the United States. Therefore, Iran provided Pakistan with political and material support during its armed conflicts with India, and it consistently supported the Pakistani position on the issue of Kashmir.

The Islamic Revolution in Iran exposed clear differences between Iran and Pakistan, which continued its relationship with the United States and maintained cooperation and a close relationship with Saudi Arabia. Here for the first time the fault lines between Shiite Iran and Sunni Pakistan (and Saudi Arabia) began to appear. At the same time, as an Islamic republic, Iran continued to support Pakistan's positions on Kashmir, and even supported Hizbollah in Kashmir (not to be confused with the Lebanese organization of the same name).

When relations between Iran and India improved after 1993, Iran attempted to walk a fine line of maintaining its interests with respect to India while continuing its opposition in principle to India's positions on Kashmir.

Afghanistan

Iran has found itself in intense competition with Pakistan over spheres of influence in Afghanistan. This multi-ethnic country has Persian-speaking regions and a not-insignificant Shiite population. In the beginning, Iran attempted to cooperate with Pakistan, but Iran and India soon found themselves cooperating in aiding the alliance of organizations in northern Afghanistan (Tajik and Persian speakers) against the Pashtun Taliban, supported by Pakistan. When the Taliban government grew

stronger, this created a background for closer relations between Iran and India. These ties grew even warmer, including in the area of security assistance, after US forces entered Afghanistan in 2001 and toppled the Taliban government.

Today Iranian and Indian interests are again converging with the preparations for the withdrawal of US and NATO forces from Afghanistan in 2014. India has significant interests in Afghanistan and is investing hundreds of millions of dollars in economic projects there. Similarly, Iran too fears that the Taliban's power will increase after the United States leaves.

United States

India's cold relations with the United States thawed in the early 1990s, at a time that its relations with Israel and Iran also changed.

India and the United States are in agreement on many issues, and there are shared interests on numerous issues. Like the United States, India is a democracy, with a strong interest in maintaining a world with open borders for goods and people. The two countries have a similar interest in preserving the security of shipping lanes in the Indian Ocean and access to the Persian Gulf, as well as in fighting international terrorism. Both countries are also concerned about China's growing power. Both are

eager to maintain a stable relationship with China and are careful not to anger China, but they have adopted a policy of hedging toward it.

Therefore, it was to be expected that the two countries would develop close strategic ties. And in fact, since the end of the Cold War, they have grown closer, trade has grown by hundreds of percent, and there is an effort to cooperate in military matters – particularly naval – as well.

The most prominent step taken by the United States toward India was the agreement on cooperation in the field of nuclear energy, which was signed in August 2008. This agreement is an exception; it sharply contradicts US policy, because

since 1998 India is a declared nuclear state and is not a signatory to the Nuclear Non-Proliferation Treaty (NPT). As part of the agreement, India hoped to purchase from the United States a nuclear power production

India has attempted to isolate relationships from one another and maintain a relationship with Iran as if it had no ties with the United States, and a relationship with the United States as if its ties with Iran did not exist.

capacity up to 25,000 megawatts by 2020. However, nearly five years after the agreement was signed, specific contracts to build nuclear power plants have not yet been concluded, and some in the United States doubt the benefit of the nuclear agreement. In the field of security too, cooperation has not progressed as the United States had hoped. While India has acquired US military equipment, large scale weapons deals that American companies had hoped to achieve have not taken place.

The issue of Iran is one of the painful subjects in relations between India and the United States, which expected India to be fully aligned with US policy in its attempt to isolate Iran as much as possible. The United States has not hesitated to use fairly explicit threats.⁹

For its part, India has attempted to isolate the two relationships from one another and maintain a relationship with Iran as if it had no ties with the United States, and a relationship with the United States as if its ties with Iran did not exist. This policy was not particularly successful and pressures from the United States have had much impact on India's relations with Iran, but they have continued to zigzag. On the one hand, India voted against Iran in the IAEA Board of Governors in September 2005 and again in February 2006, which caused its relations with Iran to deteriorate. On the other hand, India has not hesitated to signal to the United States that it intends to conduct an independent policy vis-à-vis Iran. A notable instance was the visit of two Iranian navy ships to an Indian port during the visit by US President George W. Bush in March 2006, which was seen as a slap in the face to the United States.

India has embraced the sanctions imposed by the UN Security Council. While in principle it opposed the unilateral sanctions imposed on Iran by the United States and the European Union, India ultimately acceded to requests from the United States and also imposed its own unilateral sanctions, including those that hurt Indian companies (for example, the RBI ban on transferring payments through the ACU).

Iran's Nuclear Program

The rise of the Iranian nuclear program on the international agenda in 2003 created a difficult problem for India. India is not interested in another nuclear neighbor. However, as a country that is itself nuclear, India has a hard time preaching to a state that aspires to nuclear status. From a political point of view, India also has no interest in clashing with Iran on the nuclear issue.

On the declarative level, India emphasized its support for all Iranian nuclear development activity, along with a demand that Iran honor its treaty commitments to the international community (i.e., a demand to honor its commitments to the NPT and open all its facilities to inspection). And while the Indian government aspired to isolate its bilateral relationships, as if Indian-Iranian relations had no connection to India's ties to the United States or to Israel, reality dictated otherwise. The worse the international crisis over Iran's nuclear program became, the greater were the pressures from the United States. Ultimately, India changed its policy, and was forced to vote for the IAEA resolution against Iran.

India-Israel Relations

Like India's relations with Iran and with the United States, ties with Israel also began to develop only after 1992, and since then, they have grown stronger in many economic areas. In 2012, the volume of bilateral trade between Israel and India (not including diamonds) totaled some \$2.15 billion (since 2010, trade has decreased because of the global economic crisis).¹⁰

Security cooperation, which includes purchases of advanced weapon systems, transfer of military technology, and joint development of weapon systems, is especially noteworthy. Today, Israel and India are discussing a deal for the purchase of additional early warning aircraft and joint development of various ground-to-air missile systems. Israel has become the second most important weapons supplier of the Indian army, while India has become the largest customer of the Israeli defense industry. However, to this day the ties between Israel and India have not developed into strategic cooperation. In fact, from the point of view of international politics as well, it is difficult to speak about cooperation.

The subject of Iran has been on the Israel-India bilateral agenda from the beginning. Israel has repeatedly expressed its dissatisfaction with India's bilateral relations with Iran, and in particular, security relations (including joint naval maneuvers). It has also expressed to India its fears that Israeli technology may fall into Iranian hands. In contrast, Iran has generally not expressed reservations about India's ties with Israel, preferring to ignore the subject. A noteworthy exception was in January 2008, when India launched the Israeli TecSAR satellite. While India presented the launch deal as a commercial transaction and preferred

to play down the event, Israeli publications emphasized that it was a “spy” satellite intended to monitor Iran. In this case, Iran responded by expressing its concern to the Indian government without mentioning Israel specifically.

Conclusion

The end of the Cold War was a turning point in India’s relations with the world. It was not by accident that during those years, India changed direction in its approach to the United States, Iran, and Israel. Since then, India has been conducting foreign policy relationships that involve walking a fine line. India’s attempt throughout those years to isolate its bilateral relationships one from the other was not successful, but it appears that it has still not abandoned this effort.

Its relationship with Iran, on the other hand, has undergone upheavals, including periods of closer and more distant ties. This has generally been because of pressures on the bilateral relationship from outside parties, and in particular, pressures stemming from its relationship with the United States and pressures resulting from the international system in general, such as Security Council resolutions. Today, India’s relations with Iran are at a new low. Oil imports are being reduced because of the sanctions, and India is falling into line with the international community on isolating Iran on the nuclear issue.

However, the deep geopolitical and geostrategic issues, which are the basis of India’s relations with Iran, still remain. While Iran today has difficulty producing oil and gas and output is shrinking, its large reserves will remain for a long time to come. India, on the other hand, is energy thirsty, and the demand will only grow. Therefore, ultimately Iran and India will likely restore their energy ties.

Similarly, the geostrategic considerations will remain. India has interests in Afghanistan, and as long as a hostile Pakistan separates India from Afghanistan, Iran will remain the only route. Iran will also continue to control the Strait of Hormuz, and thus freedom of shipping in the strait will remain in Iranian hands. For India, Iran will continue to offer access to the countries of Central Asia, both markets for Indian products and an additional source of energy. It may also offer a possible overland route to

Israel-India cooperation
has remained in the
realm of economics.
India’s interest in regard
to Israel is technological,
and not strategic
or political.

North Africa. Today, travel on this route is difficult and not always safe, but it will continue to be the only route available.

In its relations with Israel, India has actually succeeded in drawing the line between relationships. In spite of its ties with Iran, its relations with Israel have been stable in the past decade. Arms deals have expanded and grown in scope and extent of technological cooperation. However, cooperation has remained in the realm of economics. India's interest in regard to Israel is technological, and not strategic or political.

A look at the relationship between India and Iran, and in particular, its history, culture, energy, and geography, underscores that India's relations with Iran were, and will continue to be, more important to it than its relations with Israel. The fact that relations with Iran are today at a low point is a temporary situation, and Israel must understand that. For their part, Israel-India relations will continue to be dependent on India's ability to walk a fine line among its different relationships. If Israel wishes to maintain good relations with India, it must also be careful to walk a fine line: to continue to strengthen relations with India and emerge unscathed from this relationship, and at the same time, not to damage it by pressuring India on painful issues.

Notes

- 1 Mushtaq Hussain, "Indo-Iranian Relations during the Cold War," *Strategic Analysis* 36, no. 6 (2012): 859-70; Gulshan Dietl, "India's Iran Policy in the Post-Cold War Period," *Strategic Analysis* 36, no. 6 (2012): 871-81.
- 2 According to the Central Intelligence Agency's *World Factbook*, Iran's crude oil reserves are estimated, as of January 2013, at 151.2 billion BBL, out of an estimated world reserve of 1.532 trillion BBL. Iran is fourth in the world, after Saudi Arabia, Venezuela, and Canada. As of January 2012, Iran's proven natural gas reserves are estimated at 33.07 trillion cubic meters, with proven world reserves estimated at 208.4 trillion cubic meters as of January 2011. Iran is second in the world, after Russia, in proven natural gas reserves. For the sake of comparison, in January 2012 Israel's proven natural gas reserves were estimated at 207.7 billion cubic meters, some 1 percent of world reserves. See <http://1.usa.gov/5gIm>, accessed April 21, 2013.
- 3 Central Intelligence Agency, *World Factbook*, <http://1.usa.gov/9doDpD>.
- 4 The number of Shiites in India is not known, since no census has been conducted on this issue. The various estimates of the percentage of Shiites among India's Muslims range from 10 to 30 percent, which means between 16 million and 48 million Shiite Muslims.
- 5 India today produces 880 billion kilowatt hours a year (733 per capita per annum, as compared to some 13,000 kilowatt hours per capita in the United

- States). See Shebonti Ray Dadwal, "India-Iran Energy Ties: A Balancing Act," *Strategic Analysis* 36, no. 6 (2012): 930-40.
- 6 The ACU is a clearing house for the central banks of nine South Asian nations, and is used for conducting financial transactions and clearing payments. It is located in Tehran, and its members are Iran, Bhutan, Bangladesh, India, Myanmar, Nepal, Sri Lanka, Pakistan, and the Maldives. The acronym ACU is also used for the unit of calculation in the Asian Clearing Union, the Asian Currency Unit.
 - 7 Shebonti Ray Dadwal, "India Struggling to Cope with Sanctions on Iran," IDSA, *Issue Brief*, June 26, 2012, <http://bit.ly/MpcEUq>.
 - 8 Meena Singh Roy, "Iran: India's Gateway to Central Asia," *Strategic Analysis* 36, no. 6 (2012): 957-75.
 - 9 The Henry J. Hyde United States-India Peaceful Atomic Energy Cooperation Act of 2006, which is an amendment to the Atomic Energy Act of 1954 and which made possible the nuclear agreement, states that US policy is, among other things, to "secure India's full and active participation in United States efforts to dissuade, isolate, and, if necessary, sanction and contain Iran for its efforts to acquire weapons of mass destruction, including a nuclear weapons capability and the capability to enrich uranium or reprocess nuclear fuel, and the means to deliver weapons of mass destruction." See the full text of the law at <http://bit.ly/11yQFN9>.
 - 10 According to the Israeli Central Bureau of Statistics, the bilateral trade figures were as follows: In 2012, the volume of bilateral trade, not including diamonds, was some \$2.15 billion, about 7 percent less than the previous year (adjusting for the diamond trade, trade totaled \$4.4 billion, vs. \$5.1 billion in 2011). Israeli exports to India in that year, excluding diamonds, totaled \$1.33 billion, vs. \$1.48 billion in 2011, a decline of 11 percent. The main products exported were chemicals and electrical equipment. Imports in that year, excluding diamonds, totaled \$821 million, as opposed to \$798 million in 2011, an increase of about 3 percent. The main products imported were chemicals and plastic products. See Central Bureau of Statistics press release, "India Interested in Israeli Water Technologies," March 10, 2013, <http://bit.ly/Za9d5N>.