



INDIA-IRAN RELATIONS: OPPORTUNITIES AND CHALLENGES

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ABSTRACT :

The future looks reasonably promising as of now; however, a lot would depend on our ability to stay the course and deliver on our commitments, as well as the way crosscurrents of global and regional geopolitics would interact with India-Iran bilateral engagement. Overall, India has taken a pragmatic better-late-than-never approach now to proceed on its longstanding commitment to enable Chabahar port which will provide it with strategic connectivity with central Asia and Afghanistan circumventing Pakistan, which is adamant on no granting India overland transit through its territory.



KEYWORDS : *course and deliver* , cultural ties and geographical closeness.

INTRODUCTION :

Recent years, India and Iran have expressed their willingness to make a strong, cooperative and supportive relationship, based upon their historical, cultural ties and geographical closeness. India and Iran have friendly relations in many areas. Both countries have recently strengthened their cooperation in a number of major areas, including connectivity, counterterrorism, regional stability, and energy security. Strong historical and cultural ties between India and Iran, makes ground further to boost up their bilateral relations. Iran is not only a gateway for India to Central Asia, but India and Iran also share an interest in the stability of South Asian, West Asian and Central Asian regions. For Iran, India is a potential high value customer like China when it comes to the sale of oil and gas. Iran would be more than happy to cement ties with India given their historical links and prospects of Indian economic growth in future.

The Iranian Ambassador to India, Gholamreza Ansari, urged India to seize the opportunity and take advantage of its presence on the ground to be ahead of the Western countries in making investments after the lifting of UNSC sanctions. Ansari also said that the Iranian President Hassan Rouhani had proposed a greater role for India in his meeting with the Indian Prime Minister Narendra Modi on the side-lines of the Shanghai Cooperation Organisation (SCO) Summit held in July 2015 in Ufa, Russia, where India was inducted as a full member. SCO covers a huge region with serious impact on and implications for Iran's security environment and national interests. Iran's participation in the SCO – thus far as an observer and India as a full member inducted in July 2015 – provide the opportunity for closer collaboration within a collective regional arrangement on the issues of such critical areas as Central Asia, the northern border of Iranian security environment, as well as Afghanistan and Pakistan in the eastern frontier. Given the still continuing fragile situation in Central Asia and the rampant problems of terrorism and extremism and drug trafficking in

the areas adjacent to Iran, collective collaboration among concerned actors in the region is in Iran's national interests. China is also concerned about the problems of terrorism and extremism in its neighbourhood, which serves as another context for collaboration with SCO members and Iran.ⁱ

The prevailing situation in the West Asia region especially after the rise of IS have compelled India to rethink its engagement with the region. Induction of India as a full member state in SCO would further help in countering the terrorism such as IS and Taliban and etc. Analyst like Amb. P. Stobdan believes "India could also gain from direct cooperation particularly by inducting into the existing SCO processes such as the Regional Anti-Terrorist Structure (RATS) that shares major information and intelligence on movements of terrorists and drug-trafficking. Similarly, participation in the SCO's counter-terror exercises and regularly conducted military drills could benefit our armed forces understand the operational tactics of other militaries which could also inspire greater confidence at the regional level."ⁱⁱ SCO could also help India in energy security and investment in oil and gas fields. After induction of India in SCO as a full member could work together with other member states in human capacity building, technology, education, health and policy convergence in regional trade and financial institutions.

Recently Iran has also invited Indian investments of about US\$ 8 billion in its infrastructure projects. For short time, the Iran nuclear deal has opened up huge opportunities for the two countries to enhance their bilateral trade including in sectors like food items, pharmaceuticals, gems and jewellery, auto components, textiles and medical equipment. In the past, bilateral trade could not be expanded due to problems of transaction through foreign banks. According to a report India's oil imports from Iran witnessed a 48.8 per cent rise in April 2016 compared to the same period last year. Indian oil companies imported 393,000 barrels per day (bpd) of Iranian oil in April, according to preliminary tanker arrival data from trade sources.ⁱⁱⁱ Oil imports from Iran increased due to purchase of Iranian oil by Reliance industries, which in March 2016 took oil from Iran for the first time in six years. According to reports, India is ready to import at least 400,000 barrels per day (bpd) of Iranian oil in the year from April 1, 2016, with refiners looking to ramp up purchases after the lifting of international sanctions on Iran.^{iv}

SANCTIONS AND INDIA'S PAYMENT PROBLEMS TO IRANIAN OIL

India has been struggling in the past to find a viable mechanism to pay for Iranian oil. For a while, India made its oil payments through a German bank and, later, through a Turkish bank; but the US and the European Union (EU) sanctions have made these options impossible as well. Because of the western sanctions, Indian oil companies have been depositing 45 per cent of their oil payments to Iran in rupees with India's UCO Bank. Iran has been using the funds, about INR 130 billion (US\$ 1.95 billion) to import non-sanctioned goods from India. During India's Minister of State (IC) Ministry of P&NG Dharmendra Pradhan's visit to Tehran in April 2016, Iran had asked India to consider clearing the oil payments through Europaeisch-Iranische Handelsbank (EIH) of Germany, Central Bank of Italy and Halkbank of Turkey. The first payments were done in May 2016 by Union Bank of India via Turkey's Halkbank. According to sources linked with the development said that Mangalore Refinery and Petrochemicals Ltd (MRPL) has paid US\$ 500 million and Indian Oil Corp (IOC) US\$ 250 million. The dues on the count now total to US \$ 6.4 billion. MRPL owed US\$ 2.6 billion, out of which it has now paid US\$ 500 million.^v

Iran also possesses the world's second-largest natural gas reserves, while India is among the world's leading gas importers. The 2001 Tehran Declaration and 2003 New Delhi Declaration agreements emphasized upon energy and commercial concerns including a commitment to accelerate the development of a gas pipeline and finalizing an agreement by which Iran would provide India Liquefied Natural Gas (LNG).

Currently Iran is the largest natural gas producer in West Asia. However, political hurdles-including the US and UN Security Council sanctions had minimized interest in foreign direct investment in the country's natural gas sector. The largest natural gas development project in Iran is the offshore South Pars field, discovered in 1990, which is expected to hold between 350 and 490 tcf of natural gas reserves.^{vi} Although, after the nuclear deal and lifting of international sanctions on Iran would open the door for all import countries including India to invest in gas fields in the country and work for the smooth supply of gas from Iran. On July 20, 2016, Iran and France have agreed to cooperate on study works in Yadavaran oil field

in southwestern Iranian province of Khuzestan. Hamid Reza Katouzian head of Research Institute of Petroleum Industry said that the agreement has been signed between Iran's Research Institute of Petroleum Industry and French Institute of Petroleum (IFP). Both is expected to cooperate in the area of upstream and downstream oil sectors as well as the environment.^{vii}

India the world's fourth-biggest oil and gas consumer imports nearly three-quarters of its energy requirements, but PM Modi has set a target of cutting its fuel import dependency to two-thirds by 2022 and to half by 2030. Iran will be also helpful for India to fulfil the requirement of gas in the country. A month before prime minister's visit to Tehran, in April 2016, Dharmendra Pradhan, Minister of State (IC) Ministry of Petroleum and Natural Gas had visited Tehran with a delegation of major Indian private-sector representatives from the oil, gas, and energy sectors to discuss plan for investment there.

There are ongoing discussions for possible "participation of ONGC Videsh Ltd in exploration, development and off-take from Farzad B gas field in Iran". Indian firms are also being encouraged to build a 0.5 million tonne aluminum smelter plant,^{viii} and urea manufacturing units with the help of cheap gas being made available at Chabahar, of course subject to efficient bargaining with the Iranian authorities. As India's Minister for Shipping and Road Transport and Highways, Nitin Gadkari had noted during his press briefing earlier in September 2015, the rate being offered by Iran in Chabahar [US\$ 2.95 per million British thermal unit (mmBtu)] was less than the market rate and four times the rate of at which Qatar was making it available to India, but certainly much higher than the price Iranians had quoted (82 cents per mmBtu) in 2013. India is negotiating for a price of US\$ 1.5 per mmBtu with Iran, and if it is successful, Gadkari hoped that it would cut down on its import of around 8-9 million tonnes of the nitrogenous fertilizer at high cost and reduce urea prices in India by 50 per cent ultimately saving on the huge subsidy of INR 80,000 crore on urea.^{ix}

INDIA AND DEVELOPMENT OF CHABAHAR PORT

Before signing of Chabahar agreement Gadkari, visited Tehran on May 6, 2015 to sign a Memorandum of Understanding (MoU) worth US\$ 195 million for the development of Chabahar port.^x Gadkari pointed out that "New Delhi is interested to contribute to Iran's ports, roads, railway projects" and hoped that Indo-Iran cooperation in Chabahar can help expand bilateral economic relations. It is pertinent to mention here that the deal to jointly build a port in Chabahar was first agreed upon in early 2003 when then Iranian President Mohammad Khatami had visited India as a chief guest on the Republic Day. India could not operationalise the agreement largely due to international sanctions on Iran.

Gadkari met Iranian President, Hassan Rouhani, and discussed a number of issues of mutual interest. In order to expand the scope of bilateral engagement, Rouhani pointed out that the countries could "cooperate on number of issues including fight against terrorism and extremism" and hoped that "cooperation in the port of Chabahar ... could open a new chapter in the two countries' relation".^{xi} He emphasised that Iran needed foreign investment for the development of the 'South-North Transit Corridor' and ports and welcomed Indian investment in "the development of Chabahar port and road and railway construction projects in southern Iran", Rouhani was responding to similar sentiments that Prime Minister Narendra Modi had expressed in a personal letter.

In February 2016, the Export-Import Bank of India (India Exim) signed a US\$ 150 million line of credit with Iran's Bank of Industry and Mine (BIM) to finance rail upgrades in Iran. Before signing of Chabahar agreement Dharmendra Pradhan and External Affairs Minister, Sushma Swaraj also visited Iran in April 2016 and made the ground for the final deal. During her visit to Tehran Sushma Swaraj pushed for the development of the Farzad-B gas field and Chabahar project. In December 2015, Sushma Swaraj stressed the requirement for early completion of all necessary procedures related to Farzad-B.^{xii} Farzad-B gas field was discovered by ONGC Videsh in 2008. ONGC Videsh last year submitted a US \$3 billion field development plan to Iranian authorities to develop Farzad-B, which is estimated to hold initial in-place reserves of 12.5 trillion cubic feet, with a lifetime of 30 years.

While the sense of scepticism is a function of Indian hesitation in the past to oblige Iran for fear of provoking the US, the newfound Indian enthusiasm to court Iran is replacing such cynicism with an overly

optimistic account of bilateral engagement in future. Iranian has said on various occasions that the first MoU on Chabahar was signed during the previous National Democratic Alliance (NDA) government headed by Atal Behari Vajpayee. Since the same party (BJP) is now in power in India, Iran's expectations had been increased.^{xiii} The significant and historical visit of the Indian Prime Minister Narendra Modi to Iran on May 22-23, 2016 and signing of bilateral and trilateral agreement on Chabahar certainly end the speculation and expectation of Iranian as well as Indian. The deal would enhance bilateral and trilateral (India, Iran and Afghanistan) relations further.

PM Modi visit came at a time when India is seriously contemplating activation of its 'Look West' policy and banking on Iran as a 'gateway' and provider of corridor to Central Asia and Afghanistan. The visit sought to revitalise India-Iran bilateral relations which has passed through an uncertain phase during the last one decade taking advantage of the lifting of international sanction on Iran which followed the nuclear deal between Iran and P5+1. PM Modi visited Iran on May 22-23, 2016. This was the first official visit of any Indian prime minister to Tehran in the last 15 years. PM Modi put it well when he said, the "agenda and scope of our partnership is truly substantial" and held that the "outcomes and agreements signed today [would] open a new chapter in our strategic partnership."^{xiv} During his visit to Tehran, the long awaited agreements on Chabahar and Trilateral Transport and Transit Corridor agreement between India, Iran and Afghanistan were signed. India is also exploring all options to invest an additional US\$ 16 billion (about INR 100,000 crores) in the Chabahar Special Economic Zone (SEZ).

MEETING WITH THE SUPREME LEADER

Better relationship with India has wide multi-partisan political and popular support in Iran. It could be inferred from the way the PM Modi was feted in Iran. The Supreme Leader of Iran, Ayatollah Ali Khamenei hailed "The Islamic Republic of Iran welcomes expansion of relations with India, which is one of the emerging and progressive economies in the world, and (Iran) is fully serious in implementing bilateral agreements and is not influenced by any policy."^{xv} Khamenei appreciated India for not joining any of US/West-led coalition to counter terrorism or Islamic State, adding "Genuine and serious fight on terrorism could be another ground for cooperation between Iran and India because certain Western countries are not serious in the fight against terrorism and have been instrumental in the formation of terrorist currents in Afghanistan as well as terrorist groups in Iraq and Syria."^{xvi} It is pertinent to mention here that Khamenei has the final words on foreign policy of the country according to the Constitution of the Islamic Republic of Iran. Leaders from both sides reiterated their faith in the principles of development of bilateral relations enunciated in the "New Delhi Declaration" of January 23, 2003. Modi congratulated Iran for peaceful solution of nuclear deal between Iran and P5+1 and said it indicated the victory of diplomacy and wisdom of Iranian leadership. Contrary to expression of frustration at the unofficial level about India not having done enough during the sanctions to cement bilateral ties, Rouhani chose to praise India's stand and support for close cooperation during that period and articulated that the Iranian people would never forget the positive role India played during that period.

PM MODI'S VISIT AND THE TWELVE MOUS

Almost a year later, now with the visit of the Indian PM, and signing of 12 MoUs, India has shown even deeper interest in its relationship with Iran in general and in building and enabling the Chabahar port and the free trade zone around it in particular. This time round the MoU signed clearly indicate that India will not only build but also operate "two terminals and five berths with cargo handling [multipurpose and general] capacities" for 10 years. The bilateral contract to this effect was signed between India Ports Global Private Limited (IPGGL)^{xvii} and Arya Banader of Iran. It was announced that India would spend US \$500 million on the phase-1 of the Chabahar project and out of that US \$150 million line of credit from Exim Bank has already been provided through an agreement to Iran's Ports and Maritime Organisation for making jetties and berths at Chabahar. India will thus develop two container berths with a length of 640 metres and three multi-cargo berths. According to detailed reports, India will take 18 months to complete phase-1 of the project with two years' grace period without committing any cargo for the port. By third year India has

committed to facilitate 30,000 TEUs (Twenty-Foot Equivalent Unit) of cargo at the port and raise the quantum to 2,50,000 TEUs by the 10th year. The agreement for 10 years is extendable according to reports.^{xviii} Another MoU between IRCON and Construction, Development of Transport and Infrastructure Company (CDTIC) of Iran to “enable IRCON to provide requisite services for the construction of Chabahar-Zahedan railway line” which is 500-km-long under the trilateral transit and transportation corridor agreement cited above. The MoU denotes that the IRCON would be responsible for all superstructure work and financing of the project, which was specified in the agreement, i.e., to the tune of US\$ 1.6 billion. Ircon International Limited (IRCON), a government company incorporated by the Central Government (Ministry of Railways) under the Companies Act, 1956 on 28th April, 1976 originally under the name Indian Railway Construction Company Limited, is the leading turnkey construction company in the public sector. RCON has widespread operations in several States in India and in other countries such as Malaysia, Nepal, Bangladesh, Mozambique, Ethiopia, Afghanistan, U.K., Algeria and Sri Lanka.^{xix} Another important MoU was signed between the Indian National Aluminium Company Limited (NALCO) and the Iranian Mines and Mining Industries Development and Renovation Organization (IMIDRO) “to 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 aluminium etc.” Another MoU was signed between Ministry of Science and Technology and Iran’s Ministry of Science, Research and Technology on Cooperation in the Fields of Science and Technology. This MoU help to cooperate between the two sides pursuant to the 2003 MoU and covers areas like exchange of experiences, seminars, conferences etc. One more MoU between EXIM Bank and Iran’s Ports and Maritime Organization [PMO] on current specific terms for the Chabahar Port project was signed. This MoU is planned for the purpose of credit of US\$ 150 million for Chabahar port. The MoU for confirmation Statement between EXIM Bank and Central Bank of Iran was also inked. This settles the availability of credit up to INR 3000 crore for the import of steel rails and implementation of Chabahar port. Another MoU between ECGC [Export Credit Guarantee Corporation] Limited of India and the Export Guarantee Fund of Iran (EGFI) was also signed. This MoU seeks to create a framework of cooperation between ECGC and EGFI in supporting and encouraging foreign trade and foreign investment between India and Iran and, where appropriate, the supply of goods and services from their respective countries as part of a project to a third country. Other agreements sought to establish and strengthen linkages between the foreign ministries, think-tanks, national archives, and India-Iran Cultural Exchange Programme.^{xx}

PM MODI VISIT TO IRAN AND CHABAHAR AGREEMENT

The changing geopolitical scenario in the region has provided opportunities for both countries to strengthen their cooperation in various sectors including trade and economy, connectivity and combating threats of terrorism, radicalism, drug trafficking and cybercrime. PM Modi put it well when he said, the “agenda and scope of our partnership is truly substantial” and held that the “outcomes and agreements signed today [would] open a new chapter in our strategic partnership.”^{xxi} During his visit to Tehran, the long awaited agreements on Chabahar and Trilateral Transport and Transit Corridor agreement between India, Iran and Afghanistan were signed. As discussed above the deal to jointly build a port in Chabahar was first agreed upon in early 2003 it could not operationalise the agreement due to international sanctions that acted as a dampener on India-Iran engagement during the last decade.

The Chabahar agreement with Iran had been hanging fire for over a decade. It is not only important for India but also for Iran and Afghanistan. Chabahar is located in the Iranian province of Sistan-Baluchistan, which lies along the Iranian border with Pakistan, and it is one of the most underdeveloped, desolate, and poorest provinces of Iran. Therefore, the government of Iran has been trying its best to develop the region by ensuring massive investment in and around Chabahar. In April 2014, the Iranian President Hassan Rouhani made a public announcement that Iran’s National Development Fund envisaged a four per cent discount to anyone willing to invest in the province and the extended reimbursement time for two extra years.^{xxii} In fact, Iran has tried to sell Chabahar as an attractive commercial proposition for the last two decades. It was designated by the Iranian Government as a *Free Trade and Industrial Zone* in the early-1990s

to attract foreign and domestic investment. However, the sanctions imposed by the US and the West following alleged nuclear efforts by Iran by the turn of the century sealed the prospects of foreign investment. Despite the fact that it had immense significance for India as an alternate connecting route to Afghanistan and Central Asia, India could not bypass the sanctions to invest in this strategic route. Iranians have a grudging recognition of India's intent but sceptical about India's ability to deliver on its promises ever since.

In the absence of foreign investment, Iranian government decided to invest in Chabahar all on its own from 2013 onwards. Its stated aim was to prepare Chabahar as the third major hub for petrochemical industries in Iran (the first two are in Bandar Imam and Assaluyeh). A large area around the port, spread over about 1,100 hectares, was earmarked as a huge petrochemical complex. It was then developed to attract both domestic and external investment. This complex lies about 20-25 km away from the Chabahar airport, with investment by SATA (Armed Forces' Social Welfare Investment Organisation) and an Iranian company called Mokran Negin Development Co. has laid down roads, drawn up electricity lines and is in the process of building water connections.^{xxiii} As per Iranian reports, during the first phase, about 1,100 hectares of land has been developed for use, and about 3,000 hectares would be made ready by the end of the third phase. By 2014, when the news of lifting of sanctions was in the air, foreign investors were seen to be wooing Iran for potential gains as 'early birds'. There was a beeline of them in Tehran and extension of Chinese help to build Chabahar as well as Chinese investment in the petro-chemical industry was also in the news. India revisited the Chabahar option around that time and it must have been quite gratifying to find Iran open to Indian offer despite the fact that there was a possible Chinese alternative available to Tehran at that time.

Chabahar's significance for India cannot be overstated. It can be gauged from the fact that it is located in the Gulf of Oman, 72 nautical miles west of Pakistan's Gwadar port along the Makran coast, and it connects Afghanistan's south-western border at Zaranj overland through Zahedan. The route gives India strategic advantage to secure cheaper energy imports from Iran, situated as it is close to the Kandla port, as the Road Transport, Highways and Shipping Minister Nitin Gadkari mentioned during the visit, "The distance between Kandla and the Chabahar port is less than the distance between New Delhi and Mumbai, and so what this agreement does is to enable us quick movement of goods first to Iran and then onwards to Afghanistan and Russia through a new rail and road link".

India has been eyeing for the Chabahar option for a long time to bypass Pakistan and reach out to the Central Asia. In 2009, India had built a 218 km long link road from Delaram in Nimruz province in Afghanistan to Zaranj on the Iran-Afghanistan border to connect to the Chabahar port spending about INR 680 crore. India had announced investment of US\$ 85 million to build two berths at Chabahar in October 2014, months after the new government led by PM Modi assumed office. Six months later, in May 2015, a bilateral MoU was signed both to operationalise the earlier commitment to develop two berths as container and multipurpose terminals, and in the second phase, invest an additional US\$ 110 million to further upgrade and expand the port facilities.^{xxiv} The private sector was also reportedly quietly encouraged to explore possibilities of investing in Iran in trade, energy and infrastructure.

TRILATERAL AGREEMENT (INDIA, IRAN AND AFGHANISTAN)

After the signing of the trilateral agreement the Prime Minister of India and the Presidents of Iran and Afghanistan (Ashraf Ghani) said signing of Chabahar trilateral transit agreement as an agreement contributing to development in cooperation and joint ventures of the three countries, as well as a major development in regional ties. The trilateral understanding will also help to boost relations among the three countries and strengthen peace, security and stability in the region. After the signing of trilateral agreement PM Modi said "Today, we are all witnessing creation of history. Not just for the people of our three countries, but for the entire region. To build bonds of connectivity is the most basic of human urges. Today, we seek to fulfil it. We stand together in unity of our purpose. To carve out new routes of peace, and prosperity is our common goal. We want to link with the world. But, better connectivity among ourselves is also our priority. It is indeed a new chapter for the region."^{xxv} PM Modi also hailed that the key channels of the transport corridor would pass through the Chabahar port. It is located on the mouth of Gulf of Oman, is

of great strategic importance. Through this deal Afghanistan will also in a position to access a secure and friendly route to trade with the rest of the world as discussed above. The main features of the deal is that it will extend beyond three nations (India, Iran and Afghanistan). When the corridor connected with the INSTC, it would touch South Asia at one end and Europe at another. The INSTC was established in September 2000 by India, Iran and Russia in order to promote transportation cooperation among the member states. Later Azerbaijan, Armenia, Kazakhstan, Kyrgyz, Tajikistan, Turkey, Ukraine, Belarus, Oman, Syria and Bulgaria joined the corridor. The INSTC connects India to Central Asian Republics (CARs) through Iran and will also reduce the logistics of moving goods and diminish travel time and transport costs. This corridor also connects India Ocean and Persian Gulf to the Caspian Sea via Iran, and then its connected to St. Petersburg (Russia) and North European via Russia.^{xxvi} The INSTC could play a pivotal role in developing practical policy options to improve connectivity in the region. The INSTC is making strides towards achieving a new framework. The unique feature of the project is that it has the capacity to incorporate other interested states, including countries of the Caucasus, Central Asia, and Eastern Europe.

PM Modi also added that over time, we could even look to connect it with the strong sea and land-based routes that India has developed with the Indian Ocean Region and South East Asia. Iranian President Hassan Rouhani expressed his country's eagerness to act as a 'reliable' gateway for India to access Afghanistan and Central Asia. Rouhani said "With our joint investments in Chabahar, we can connect India through a reliable route to Afghanistan and countries in Central Asia. The trilateral transit agreement is not only a political decision, but also a regional consensus as a guarantee for cooperation and can demonstrate common resolve for development of ties and relations among the three countries."^{xxvii} The Afghan President Ashraf Ghani went further and stated that the trilateral project could provide the "base for a great development, not only for the three countries, but also for the whole region."^{xxviii} If it is implemented well, this long delayed venture, strategic analysts believe, would alter the course of regional geopolitics and balance out the negative consequences of Pakistani non-cooperation in enabling constructive Indian engagement in Afghanistan and Central Asia.

In a significant move, a month prior to PM's visit, the three countries had finalized the text of the "Agreement on Establishment of International Transport and Transit Corridors" in the second trilateral meeting of Experts on April 11, 2016 in New Delhi. The draft Agreement provided "necessary legal framework for movement of goods and passengers across the territories of the Parties via Chabahar Port in Iran, thus affording India a reliable sea-land access route into Afghanistan and onwards to other Central Asian Countries."^{xxix} Following the meeting, the Indian External Affairs Minister had travelled to Iran on April 16-17, 2016 at the invitation of her Iranian counterpart to discuss India-Iran bilateral relations, including signing of the above Trilateral Agreement.

CONCLUSION

Overall, India has taken a pragmatic better-late-than-never approach now to proceed on its longstanding commitment to enable Chabahar port which will provide it with strategic connectivity with central Asia and Afghanistan circumventing Pakistan, which is adamant on no granting India overland transit through its territory. The Indian Prime Minister's visit to Iran, after the nuclear deal and easing of international sanctions, and his emphasis on 'building connectivity' and 'carve out new routes of peace, and prosperity' to 'write a new chapter of engagement' is going to reverberate for a long time as a mark of Indian determination to connect to Iran and Afghanistan and through them to other states in the Eurasian landmass. India's engagement with Iran is also set to get a major facelift and graduate from primarily a buyer-seller (of hydrocarbon) relationship to a strategic partnership based on their common goals of contributing to stability in Afghanistan, peace and prosperity in the region, counter-terrorism, fight against radicalism, drug-trafficking and cyber-crimes.

The trade relations between the two countries also increased after the nuclear deal and lifting of the UNSC, EU and US unilateral sanctions. However, the trade balance is in favour of Iran due to huge oil imports by India. In order to address the issue of trade imbalance, India needs to diversify its trade and investment baskets and focus on increasing trade in commodities, manufacturing as well as in services. India could

consider investing in areas like automobiles, pharmaceuticals, textiles and food processing (tea, rice, spices, etc.). Iranian leaders have expressed their interest in Indian investment in oil and gas sector and hope to build consensus for the development of Farzad B gas field soon. The future looks reasonably promising as of now; however, a lot would depend on our ability to stay the course and deliver on our commitments, as well as the way crosscurrents of global and regional geopolitics would interact with India-Iran bilateral engagement.

END NOTES

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^{xvii} India Ports Global Private Limited (IPGPL) is a joint venture of the Jawaharlal Nehru Port Trust and the Kandla Port Trust, which was initially mandated to develop two container berths in Chabahar with an investment of US\$ 85 million.

^{xviii} Anirban Chowdhury, “Five things about Chabahar Port and how India gains from it”, *Economic Times*, 23 May 2016, at

http://economictimes.indiatimes.com/articleshow/52400399.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

^{xix} Ircon International Limited (IRCON), for detail see <http://www.ircon.org/>

^{xx} “List of Agreements/MOUs signed during the visit of Prime Minister to Iran”, Ministry of External Affairs, Government of India, May 23, 2016, available at <http://www.mea.gov.in/outoging-visit-detail.htm?26841/List+of+AgreementsMOUs+signed+during+the+visit+of+Prime+Minister+to+Iran+May+23+2016>

^{xxi} “Media Statement by Prime Minister during his visit to Iran”, Ministry of External Affairs, Government of India, May 23, 2016, at <http://www.mea.gov.in/outoging-visit-detail.htm?26840/Media+Statement+by+Prime+Minister+during+his+visit+to+Iran+May+23+2016>

^{xxii} “Rouhani: Iran Mulling Chabahar-China Railway”, *Fars News Agency*, April 16, 2014, at

<http://english.farsnews.com/newstext.aspx?nn=13930127001592>.

^{xxiii} M. Mahtab Alam Rizvi & Ashok K. Behuria, “Importance of PM Modi’s Visit to Iran: Opportunities and Challenges for India”, *Strategic Analysis*, Vol. 40, No. 5, 2016.

^{xxiv} Ibid.

^{xxv} Remarks by Prime Minister at Chabahar Connectivity event, Government of India, Ministry of External Affairs, May 23, 2016 available at <http://mea.gov.in/Speeches-Statements.htm?dtl/26838>

^{xxvi} North-South Transport Corridor, available, available at <http://www.instc.org/>

^{xxvii} “Chabahar trilateral transit agreement a great development in regional ties”, Ministry of Foreign Affairs, Islamic Republic of Iran, May 23, 2016, at

<http://en.mfa.ir/index.aspx?siteid=3&fkeyid=&siteid=3&fkeyid=&siteid=3&pageid=1997&newsview=394374>

^{xxviii} “Chabahar trilateral transit agreement a great development in regional ties”, Ministry of Foreign Affairs, Islamic Republic of Iran, May 23, 2016, at

<http://en.mfa.ir/index.aspx?siteid=3&fkeyid=&siteid=3&fkeyid=&siteid=3&pageid=1997&newsview=394374>

^{xxix} Lok Sabha, Question no.152 Chabahar Port, Ministry of External Affairs, Government of India, May 4, 2016, at

<https://www.mea.gov.in/lok-sabha.htm?dtl/26732/QUESTION%20NO152%20CHABAHAR%20PORT%23>