

## ***DATELINE MEI***

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### **India's Slippery Iran policy**

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**E**nergy supplies from Iran are back in the news and for all the wrong reasons. For years, Iran captured the limelight over the much hyped and yet to materialize the gas pipeline project through Pakistan. This was followed by a host of controversies; the energy-related investments, the US pressures, payment rows and now the threats of oil supply disruptions. The lack of foresight and clear thinking is visible for anyone willing to see.

Wishful thinking and temporary amnesia appear to be the twins running India's Iran policy. In their eagerness to cozy up to Washington, various Indian governments have adopted ostrich as India's national bird. If the politicians sidestepped tougher issues, the mandarins avoided uncomfortable questions. For both, civilizational links with Iran became the theme song.

Even when the US figured prominently in their calculations, both the NDA and UPA governments ignored, overlooked and failed to internalize the prolonged tension and conflict between Washington and Tehran. They were seen as bilateral issues and would not affect India's relations with both these countries. For over a decade, Indian leaders, officials and elite failed to read the American concerns correctly.

A careful perusal of the WikiLeaks would reveal that Iran has been high on the American foreign policy agenda. Not just in New Delhi, but American officials posted in Tel Aviv, Manama, Riyadh, London and Paris have periodically discussed and expressed their concerns over India's ties with Iran. These concerns were reflected in a number of US cables sent to its missions in different parts of the world.

The US officials were not content with the diplomatic channels but expressed their concerns in public. India's energy ties with Iran, for example, figured prominently during the visit of Secretary of State Condoleezza Rice in March 2005. In not so subtle manner some American leaders even reminded India of the provisions of the Iran Libya Sanctions Act of 1996 (later re-named as Iran Sanctions Act).

Rather than handling them sensibly and with foresight, New Delhi ignored American concerns. Driven by populism the left-wing of the Congress Party even publicly questioned the right of the US to 'dictate' Indian policy. Far from addressing the issue, they competed for brownie points.

Unfortunately however, the American sanctions, coupled with various measures by the UN Security Council are slowly shrinking India's options. If these were not enough, India is complicating the problems. Imitating their foreign policy counterparts, the mandarins in the Reserve Bank of India suddenly abandoned the payment route that was effective since 1975. Nine Asian countries, namely Bangladesh, Bhutan, India, Iran, Nepal, Pakistan, Maldives and Sri Lanka, have been using the Asian Currency Union (ACU) to settle their foreign trade payments. On 23 December last year the RBI cancelled this arrangement and thereby jeopardized the payment for the oil imported from Iran. While the RBI decision was the result of the prolonged pressures from the US Department of Treasury, it never worked out an alternative arrangement when it decided to cancel the ACU route.

After weeks of negotiations India found the Hamburg-based and Iran-owned Europäisch-Iranische Handelsbank AG (EIH Bank) to organize the payment dues. This proved to be a temporary measure and buckling under American pressures, the German authorities scuttled the plan. Then there were suggestions that the both countries would agree on Rupee-Rial payment. Under the arrangement, India would settle its dues through the Indian currency which Iran could use for its imports from India or for investments in select areas.

This was not a trouble-free option either. During the Cold War India had similar arrangement with USSR whereby its imports from Russia, especially the military hardware, were paid in Rupees which the USSR invested in various economic and political activities within India. This led to unintended controversies. The spiralling of friendship societies, progressive associations and sponsored trips to Moscow were partly the spinoff of the Rupee-Ruble trade.

This experience should make India wary of repeating some of these mistakes. There are sufficient indications that Iranian diplomats have intensified their propaganda machinery within India. According to WikiLeaks in September 2005 the US diplomats in India found out that Shia Muslim leaders in Lucknow, "expected Shia groups funded by the Iranian Embassy to organize anti-US protests on Friday, September 23."

Another August 2006 document was more revealing and worth citing in some details: “Qari Mian Mazari, a leading Maulvi politician from the moderate Bareilvi school, was less complacent than Imam Bukhari. He maintained that Muslim emotions were being fired-up by a steady stream of propaganda from the Urdu press. He pointed out that there are over 100 Urdu newspapers in India with an enormous influence over Muslim attitudes. Mazari claimed that the Iranian Embassy had paid for the placement of 15 anti-Israel/anti-US articles in the Urdu press since hostilities began in Lebanon and planned to continue to spending large sums to play up the Lebanon story. He was particularly angry with the Urdu newspaper *Nai Duniya* (New World), which is published by Shahid Siddiqi, a Muslim MP from the Samajwadi Party (SP). Mazari noted that Siddiqi had published a special edition of the paper with 24 pages devoted to the glorification of Hezbollah and had distributed 50,000 copies free of charge throughout India. He claimed that the entire project was funded by Teheran.” Hence, any Rupee-Rial arrangements with Iran would only intensify the propaganda campaign on the Indian soil.

Meanwhile, citing the non-payment to the tune of US\$ 2 billion, in late June Iran threatened to stop oil supplies to India from August. Latest reports suggest that India is working out an arrangement whereby the oil dues would be paid through state-owned Turkiye Halk Bankasi in Istanbul and in Euro through the Central Bank of the UAE. How long will this arrangement work?

The chain of developments amply indicates that India no clear-cut policy towards Iran. It is immaterial if one endorses closer Indian ties with Washington or not; but not factoring in the concerns of the latter vis-à-vis Iran is proving to be costly as well as slippery for India.

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