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### **Going Beyond public statement on Iranian oil**

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**S**peaking to reporters in Chicago, Finance Minister Pranab Mukherjee was defiant and categorical: it is not possible for India to reduce oil imports from Iran. Coming within days after the European Union decided to stop such imports from July, this indicated India's refusal to join the western chorus against Tehran. At another level, it also marked a definite clarity in India's Iran policy that was on a rollercoaster ride since early 2005. This public statement however is merely an expression of intention of the government. Can India pull this off?

For long, India had ignored or paid insufficient attention to the public warnings of US Secretary of State Condoleezza Rice during her March 2005 visit. This was true of the establishment as well as mainstream intelligentsia. While some chose to ignore, others adopted a defiant tone. Sovereignty, independent foreign policy and anti-Americanism were the order of the day. Not many asked about, let alone factored in, the cost of such an indifferent if not defiant posture.

Everyone saw the results. Within six months of Rice's visit, it was a royal mess over Iran. Despite eloquent public statements about civilizational links with Iran and the role of the Shi'a factor, New Delhi chose to side with the US. The decision appears to have been taken without serious internal deliberations and some believe that even Foreign Minister Natwar Singh was out of the loop. With the result, the September 2005 vote in the International Atomic Energy Agency (IAEA) displeased both parties; Iran felt let down, while the US felt emboldened by the effectiveness of its strong arm tactics.

Since then, India's Iran policy has become a hotly debated issue in the country. Those who supported the IAEA vote could not accept the manner in which the government acted or explained its decision. Those who criticized the vote could not give a clean bill of health to Iran's nuclear ambitions. For some India betrayed a traditional and reliable friend like Iran, while

others felt that by mismanaging the issue the government has squandered political capital in Washington. These arguments are strong and valid and the bottom line was, India's policy towards Iran was messy and lacked clarity.

This reflected the larger problem that confronted India. While Iran is an important player in India's search for energy security, Tehran's nuclear ambitions became controversial. Ever since undisclosed uranium enrichment plants were disclosed in August 2002, there were growing concerns over Iran's nuclear ambitions. Despite public Iranian statements to the contrary, there were increasing international suspicions about the peaceful nature of the Iranian nuclear programme. This concern has only increased over time. Between June 2006 and December 2012, there were as many as 11 resolutions in the IAEA and UN Security Council on this issue. Most of them have been widely supported by the international community, including two of Iran's closest friends, China and Russia. New Delhi could have ignored such an overwhelming international position only at its own peril.

Moreover, despite many friends and well-wishers within India, Iran has not been an easy customer to deal with, especially since the election of Mahmoud Ahmadinejad as President. His two immediate predecessors, Hashemi Rafsanjani and Mohammed Khatami, were trying to mend fences with the outside world, resolved or sidestepped controversial issues and pursued a more friendlier policy vis-à-vis their neighbours. Some tentative progress was visible even towards Washington, depicted as the Big Satan by Ayatollah Khomeini. Ahmadinejad significantly reversed that trend. Indeed, his public rhetoric and holocaust denials made an easy target for the West to decry Iran as a threat not just to Israel but also the wider region. The WikiLeaks cables speak of the fear and trepidation of Iran's Arab neighbours.

While India sought to delink its relations with Iran from its newly found proximity with the US over civil nuclear cooperation, the agenda of Washington was different. Since the days of the 1979 Islamic revolution, the US has been unable to find a coherent and workable policy towards Tehran. Both Democrats and Republicans vacillated between marginalization, engagement and confrontation. More than three decades later, none proved effective. Individuals came and went but the Persian puzzle remained an enigma in Washington circles.

As India soon found out, the Iran baggage of the US was too large to decouple and Prime Minister Manmohan Singh had to toe the American line, especially on the energy front. As per the Delhi Declaration signed during President Khatami's visit in January 2003, energy cooperation was to be the bedrock of Indo-Iranian ties. But this wilted under persistent American pressures.

The US is, however, only a part of India's problems with Iran although this factor enabled everyone to sidestep other issues that hamper energy cooperation between the two countries. The Iran-Pakistan-India gas pipeline is struck also because of price disputes and security concerns. Liquefied natural gas (LNG) became problematic because of technological constraints. India's energy investments are not lucrative because of the Iranian ban against foreign ownership of its natural assets. In other words, there are issues that raise serious doubts about Iran's ability to be a

serious partner in India's search for a stable energy security partner. Blaming the US was relatively easier, publicly acceptable and even politically correct.

Of late, even commercial transactions with Iran have become a problem for India. Under American pressure, it has stopped the export, largely by Reliance, of oil products to Iran. Since December 2010 India's payments for its oil imports from Iran have become problematic. Its search for payments took India to banks in Germany, Turkey and the UAE, and this month finally both countries agreed to partial payment through Indian Rupee.

Seen in this wider context the Chicago statement of Mukherjee came days after the decision of the US and EU to impose a ban on Iranian oil exports. India's ability to adhere to its decision to continue importing Iranian oil rests on a few premises.

Currently, Iran contributes to about 11 percent of India's crude oil imports and it is not possible for India to immediately switch over to alternate supplier/s. Saudi Arabia, the largest producer with about 10 million barrels per day, has little room for excess production to meet additional Indian demands. Some of India's older refineries are linked to the specific type of crude imported from Iran and these cannot be re-modelled quickly to accept other varieties. If the EU countries needed six months to make alternate arrangements for Iranian oil, India would require a longer timeframe. Without an alternate supplier, it would be naïve to expect India to accept oil sanctions against Iran.

Above all, while India has accepted and adhered to various sanctions imposed by the UNSC, the oil sanctions are unilateral or multilateral, not global. Hence, they are not binding upon non-members. Countries accept such sanctions only if these serve their national interests and discard them when needed.

Indeed, if the West wanted India to accept tougher sanctions, then the path should have been different. One of the interesting outcomes of the post-Cold War world is that no country, big or small, can be taken for granted. Despite the overwhelming presence of the US, there are other powers and countries have discovered their non-parallel interests. Convergence on one issue does not automatically mean support for other issues and vice-versa. Hence, consultation, accommodation and compromise would have been more sensible than bullying. But having rejected the western demand for oil sanctions, the real test for the Indian government lies in whether it can implement its public pronouncement?

**Note:** The article was originally published as **IDSA Web Commentary** on 9 February 2012 , web Link:

[http://www.idsa.in/idsacomments/GoingBeyondthePublicStatementonIranianOil\\_PRKumaraswamy\\_090112](http://www.idsa.in/idsacomments/GoingBeyondthePublicStatementonIranianOil_PRKumaraswamy_090112)

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