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## India's Iran Policy: Between US Primacy and Regionalism.

**Vijay Prashad**

*American University of Beirut*

*Edward Said Chair of American Studies*

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## India's Iran Policy: Between US Primacy and Regionalism.

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**Vijay Prashad**

*American University of Beirut*

*Edward Said Chair of American Studies*

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## Abstract

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Standing at a press conference with Turkmenistan's Deputy Prime Minister Rashid Meredov on January 22, 2013, India's President Pranab Mukherjee committed India once more to a natural gas pipeline to run from Central Asia to South Asia. "India is deficient in energy resources," said the President, "whereas Turkmenistan is rich in hydrocarbons." The economic complementarities are obvious, but not so clear are the political ramifications. The President said that the pipeline is "important for bringing peace and development to our common region," signaling that such projects are as much about regional stability as they are about resource exchanges.<sup>1</sup>

Talk of this pipeline once more raised the question in New Delhi of the other natural gas project, the Peace Pipeline that was to run from Iran's South Fars field to India, with access points for Pakistan's energy needs along the way. A Pakistani engineer, Malik Aftab Ahmed Khan, first proposed this route in the 1950s. Ali Shams Ardekani, the Deputy Foreign Minister of Iran, and Rajendra Pachauri, the director of the Tata Energy Research Institute (TERI) revived the project thirty years later. In 2001, TERI and the Hydrocarbon Development Institute of Pakistan began a study of the techno-economic aspects of the project. The study, Pachauri put it, would be needed to "sensitize opinion makers on the two sides of the border on the opportunities, costs and benefits of the project."<sup>2</sup>

The pipeline projects that emerged out of considerations of resources came to embody the new regional ties that the governments wished to foster. These were the arteries of energy, no doubt, but also the manifestation of the links that these countries knew had to be promoted. All states in its path would have a vested interest in the pipeline, whose existence might stay the paw of the dogs of war.<sup>3</sup>

Asian regionalism in the 1990s and 2000s was simply just an idea. It had not emerged as a sufficient counter to the other major narrative of international relations, namely US primacy. During the Cold War, the US and the USSR had both attempted to carve out camps of their allies and friends, whose existence was protected by the superpowers' armaments and personnel. With the collapse of the USSR in the 1980s, a new narrative developed for global security and for US power projections. The US attempted to manage the world through a "hub and spoke" system: the US was the hub, with the spokes being its major client states whose task, in alliance with US troops in a network of overseas bases, was to manage the unruly states on the rim of the tire.<sup>4</sup> These client states (Colombia, Israel, Egypt, Rwanda, Georgia, Taiwan, Japan as well as the old settler colonial states of Britain, Australia, New Zealand and Canada) would allow the US access to bases and to its intelligence networks, enabling US power to project itself across the planet. The vision was grand, but it was also infected with hubris.

It is out of the theory of US primacy that the US intervened to undermine the South and Central Asian regional projects of the 1990s and 2000s. In 2005, US Ambassador to India David Mulford wrote to Washington, "New Delhi is trying to support us without alienating Tehran, on whom it depends for current oil supplies, future natural gas imports (pipeline and LNG), and access to Afghanistan and Central Asia." If the US could guarantee India an alternative source of energy, India could be made to break with Iran and help the US in its strategy for the isolation of Iran. India, a friend of the US but not a client, could become a necessary part of the architecture of US primacy. After all, as Mumford wrote, "India had a key voice in the NAM [Non-Aligned Movement] and could swing opinion in the [International Atomic Energy Agency] Board of Governors; it was time," Mumford wrote, "for us to know where India stood."<sup>5</sup>

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1 "India committed to implementing TAPI gas pipeline: Pranab Mukherjee," *Indian Express*, January 22, 2013.

2 S. Pandian, "The political economy of trans-Pakistan gas pipeline project: assessing the political and economic risks for India," *Energy Policy*, vol. 33, no. 5, March 2005; Toufiq A. Siddiqi, "India-Pakistan Cooperation on Energy and Environment: To Enhance Security," *Asia Survey*, vol. 35, no. 3, March 1995.

3 A wily reader will see an echo of Thomas Friedman's "Golden Arches Theory of Conflict Prevention" – "No two countries that both had McDonald's had fought a war against each other since each got its McDonald's," he wrote in *The Lexus and the Olive Tree*, which appeared in 1999 only months before NATO bombed Yugoslavia, two sets of states with McDonald's. My contention is that if states have a major vested interest in peace – notably that their energy resources are inextricably linked – they will be less likely to go to war.

4 US Secretary of State James Baker enunciated the "hub and spoke" model with regard to US power projections in East Asia. See his "America in Asia: Emerging Architecture for a Pacific Community," *Foreign Affairs*, vol. 70, no. 5, 1991-92.

5 US State Department Cable no. 40501. 05NEWDELHI17100, Embassy New Delhi, Confidential. September 13, 2005 (Wikileaks Cache).

The US-India nuclear deal that followed was a direct attempt to secure India into the narrative of US primacy and to forgo that of Asian regionalism. It is the reason why India voted twice against Iran in the IAEA, despite the fact that it is India that has a nuclear program (it has twice tested a nuclear weapon, 1974 and 1998, and is not a member of the Nuclear Non-Proliferation Treaty; Iran is a member of the NPT and has not tested a weapon).

India shifted to the side of US primacy in 2004, but since then its foreign policy has shifted once more to the middle. Sitting with a senior Indian diplomat, I mentioned that India seemed to be caught between two stools, US primacy and regionalism. "That's an apt image," he said, "except we have not fallen between the stools." Things are more fraught now, and less clear. Talk of the peace pipeline and of linkages with Iran returned to the agenda after 2004. As US power enters a period of decline as a result of economic trials and two expensive and inconclusive wars, the moment of regionalism seems on the horizon.

## India: Caught Between Two Narratives.

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"Somehow there has been, sorry to say this, some attempt, I don't know for whatever reasons, to paint India in very negative colours."

-- Nirupama Rao, Indian Ambassador to the US, 2012.

India's foreign policy establishment has a very conflicted brief, caught as it is between the two stools of US primacy and regionalism.

On July 5, 2010, one of India's most senior diplomats, Nirupama Rao (then Foreign Secretary) gave a speech at a conference jointly held by New Delhi's Institute for Defense Studies and Analysis (IDSA) and Tehran's Institute for Political and International Studies (IPIS).<sup>6</sup> Secretary Rao argued that India and Iran share "fundamental complementarities and natural affinities." In her speech, Secretary Rao highlighted the Chabahar Port Project, a signal joint venture to link Indian industry to Central Asia via this south-east Iranian port city. The project, Secretary Rao pointed out, is "at the heart of the common vision that India and Iran have for Afghanistan and the region as a whole." Secretary Rao did not speak as if in a vacuum. She acknowledged the pressure on Iran due to its nuclear program, and hoped for a peaceful settlement. Without mentioning the name of the countries putting this pressure on, Secretary Rao worried about the consequential distortions of such coercion.

"We are justifiably concerned that the extra-territorial nature of certain unilateral sanctions recently imposed by individual countries, with their restrictions on investment by third countries in Iran's energy sector, can have a direct and adverse impact on Indian companies and more importantly, on our energy security and our attempts to meet the development needs of our people."

It is because of this analysis that Secretary Rao raised the most fundamental question for Indian diplomacy, "How do we build a pragmatic and therefore enduring relationship, rising above hoary ideological positions, ensuring that our multi-faceted ties are not held hostage to merely one or two issues?"

When Nirupama Rao left her post as Foreign Secretary in mid-2011, the Indian government sent her to become the next Ambassador to the United States. Rao took over from Ambassador Meera Shankar, who was under enormous pressure from the US to reduce India's dependence on Iran's oil. India imports 80 percent of its oil, with 12 percent from Iran. At a speech at Harvard's Kennedy School, Ambassador Shankar followed the grain of thought of Secretary Rao, "Iran is an important country in our extended neighborhood with which we have civilizational links. We are conscious of the need to objectively address Iran's nuclear issue. We have maintained that Iran should fulfill its obligations as a signatory to the NPT regime, while having the right to peaceful uses of nuclear energy. India, on its part, has consistently implemented all relevant UN Security Council resolutions." Ambassador Rao's brief had to be formed between at least three nodes of pressure – Indian economic and regional needs; US

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<sup>6</sup> Nirupama Rao, "Speech at IDSA-IPIS Strategic Dialogue on India and Iran: An Enduring Relationship," New Delhi: Institute for Defense Studies and Analyses, July 5, 2010.

geo-strategic plans; and the US lobby within India with its commercial interests with India and its need to be cosseted closely to US power.<sup>7</sup> In mid-April 2012, Ambassador Rao said that it is “virtually impossible” to cut Iranian oil from India’s imports, but nonetheless “the share of Iranian petroleum is going down as we speak, and there has been a significant reduction, and I see that reduction being even more reinforced in the weeks and months to come.”

In February 2012, Ambassador Rao told National Public Radio’s Robin Young that India could not simply cut its ties with Iran. There are domestic economic factors, with the Indian government aware that if India stops import of Iranian oil, prices will rise. “We have to meet the energy needs of hundreds of millions of people, and please remember at least 400 million people are in poverty.” Their lives would be adversely impacted immediately. Nonetheless, Ambassador Rao pointed out, “The volume of oil that we import from Iran is declining, and it will obviously have to continue to decline, but it’s going to take time.” The key phrase here is *it will obviously have to continue to decline*. Why is this obvious? Because of the immense US pressure on India to cut oil imports from Iran. In other words, the logic of US primacy slowly subverted a general consensus amongst the Indian policy community that India must develop closely its regional ties, including with Iran and not yoke itself too firmly to the US and to US national (and international) interests.

Two years after Rao’s 2010 address to IDSA-IPIS, Yash Sinha, the Additional Secretary (Pakistan, Afghanistan and Iran Division) of the Indian Ministry of External Affairs gave his speech at their annual conference. Sinha obliquely pointed to the pressure put on Indo-Iranian relations. His emphasis was on bilateral trade. Between April 2011 and March 2012, one of the high-points of the pressure on India from the US, Indo-Iran trade increased by 18.76 percent. US pressure is largely on the oil imports, and the US has made it hard for India to cover its oil bill. This is why Sinha called for a diversification of Indo-Iranian trade, with Indian exports of wheat and pharmaceuticals as a way to cover the cost of the import of oil. To underscore the linkages between the two countries, Sinha reiterated India’s commitment to the Iran-Pakistan-India pipeline and to the Chahbahar port project. Sinha’s position was echoed by India’s Foreign Secretary Ranjan Mathai in August 2012, “We would certainly like to expand Indian exports to Iran” despite the pressure from the US to cut trade with the country.<sup>8</sup>

Significant studies and books coming from the pens of establishment intellectuals circle around the dilemmas of Indian foreign policy, on the one side eager for a close relationship with the United States and on the other side invested in regional dynamics that have practical benefits for India. Congress politician Shashi Tharoor’s *Pax Indica*, for instance, wants to “cultivate good relations with countries that can assist us,” whose ambit is so broad that it means India must seek friendships with countries whose antagonism makes them enemies. There is a very warm discussion of the US-India relationship, and then of the Iran-India ties, noting specifically that “Iran’s natural resources, particularly oil and natural gas, have been increasingly important to India for decades.”<sup>9</sup>

The same kind of ambivalence defines what a group of mainstream Indian intellectuals call *Non-Alignment 2.0* (2012). No longer does non-alignment mean avoidance of being a proxy in a two camp struggle. It now “requires a skillful management of complicated coalitions and opportunities – in environments that may be inherently unstable and volatile rather than structurally settled.” India is asked, once more, to befriend all sides to contests and to make the most of every opportunity in a pragmatic way.<sup>10</sup> On West Asian policy, for instance, the report calls upon India to avoid “sharp choices,” for example to “try and steer clear of the escalating rivalry between Iran and Saudi Arabia.”<sup>11</sup> As with Tharoor’s book, the United States plays an insufficient role in the framework on this report – its pressure on Indian diplomacy is absent, and so the report does not engage with the claustrophobia that faces Indian policy makers. What we have is a foreign policy direction that seeks to avoid major conflicts on the world stage in the name of realism – to duck contradictions by seeking to find a way to insinuate India’s interests in the interstices of global conflict.

7 On the US Lobby in India, see Vijay Prashad, *Uncle Swami*, New York: New Press, 2012 and New Delhi: Harper-Collins, 2013.

8 “Chahbahar port expected to figure in trilateral talks,” *Business Line*, August 25, 2012.

9 Shashi Tharoor, *Pax Indica*, New Delhi: Penguin, 2012.

10 Sunil Khilnani, Rajiv Kumar, Pratap Bhanu Mehta, Lt. Gen (Retd) Prakash Menon, Nandan Nilekani, Srinath Raghavan, Shyam Saran and Siddharth Varadarajan, *Non-Alignment 2.0. A Foreign and Strategic Policy for India in the Twenty First Century*, New Delhi: Center for Policy Research, 2012, p. 9.

11 *Non-Alignment 2.0*, p. 24.

A striking absence in the new literature on Indian foreign policy (whether Tharoor's book or the Non-Alignment 2.0 report) is the absence of engagement with the changed international landscape. Non-alignment as a framework for foreign policy emerged in the context of the Cold War, when pressure on the newly independent states to abjure their post-colonial ambitions for one or the other bloc was immense. The Cold War is no longer the main framework for international relations – with the USSR ending its tenure in 1991 and with the US entering a new phase in its own relationship to the planet. The debt crisis of the 1980s broke the back of the Third World Project, and it shattered the confidence of the Non-Aligned Movement (NAM), the institutional home of non-alignment.<sup>12</sup> The NAM, which represents two-thirds of the world's governments, continued to function — but barely. Non-alignment as a guiding doctrine became fodder for nostalgia, as indebted countries began to forge links with a resurgent West in light of the collapse of the East. Bilateral free trade agreements with the US and Europe came alongside IMF programs for austerity; military deals that allowed US bases on formerly proud anti-colonial soil provided the infrastructure for the emergence of US primacy. For the decade after 1991, the US crafted a policy environment that relied upon its preponderance of military, economic and cultural power – with calls for a Second American Century flattering the illusions of the Washington elite.<sup>13</sup> By now, 2013, the likelihood of US primacy being eternal is low. Endemic economic problems are intertwined with dysfunctional political disputes like the snakes in William Blake's "Moses erecting the Brazen Serpent." Intractable government financial difficulties poses serious questions about the force projection of US military power, which, along with several unending wars, has created morale problems amongst the US troops. This is bad news for the Generals, and even worse news for the civilian leadership – it becomes hard to act on threats of force, which is the remaining emblem of US power at this time (the Syria case in 2013 is illustrative of the limits of US primacy). Old non-alignment, as the *Non-Alignment 2.0* group correctly acknowledges, is now history. So too is US primacy. What comes next is not fully clear.

By 2016, the IMF predicts that China will have the world's largest economy. Its arrival to this post would have been impossible to gauge in 1991, when a Second American Century was deemed inevitable. China began its market reform agenda in 1992, the year after the USSR collapsed, and it did not begin to register astronomic growth rates till the next decade. What is interesting about China is that despite its economic power, it seems unwilling to seek the mantle of something like Chinese primacy or to thrust upon the world a Beijing Consensus.<sup>14</sup> In 1992, Deng Xiaoping envisioned the emergence of China in the near future, "We will only become a big political power if we keep a low profile (*tao guang yang hui*) and work hard for some years; and we will then have more weight in international affairs."<sup>15</sup> A debate over the need to continue the "low profile" strategy has taken hold in the Chinese international relations community, with some taking the view that it is time to set this aside and proclaim a "China Dream" (such as Liu Mingfu, a former leader in the People's Liberation Army) and others keen to retain the idea and allow Chinese power to help produce a new multilateral and regional order – perhaps through the BRICS (Brazil, Russia, India, China and South Africa) dispensation (such as Wang Jisi, the Dean of the School of International Studies, Beijing and Director of the Institute of International and Strategic Studies at the Party School of the Central Committee).<sup>16</sup> Since at least 2001, Wang Jisi has been putting forward the view that "the key notion and belief in China's conceptualization of international politics is multipolarization." When Hu Jintao ascended to the leadership in 2001, one of his first speeches included the argument that "multipolarity [*duojihua*] constitutes an important base in Chinese foreign policy."<sup>17</sup> China seems eager to work through the new BRICS group, and to manage a system framed by multipolarity and regionalism. It is this context that should set the stage for any reassessment of the role of India's engagement with Iran – not the theory of non-alignment, nor the theory of subordination to a great power (in this case, the United States), but through the growth of regional engagement in a multipolar world.

12 This is the story I tell in *The Darker Nations: A Biography of a Short-Lived Third World*, New Delhi: LeftWord, 2007.

13 Indeed, this view continues, viz. Richard Haase, "How to Build a Second American Century," *Washington Post*, April 26, 2013.

14 Zbigniew Brzezinski suggests (*Strategic Vision: America and the Crisis of Global Power*, New York: Basic Books, 2012) that China will make a push for global power, which will destabilize Asia into a regional war that would resemble Europe's 20<sup>th</sup> century wars. I find this unlikely, as does Henry Kissinger (*On China*, New York: Penguin, 2012).

15 Leng Rong and Wang Zuoling, eds., *Deng Xiaoping Nianpu (1975-1997)*, Beijing: Central Party Literature Press, 2004, p. 1346 quoted in Dingding Chen and Jianwei Wang, "Lying Low No More? China's New Thinking on the *Tao Guang Yang Hui* Strategy," *China*, vol. 9, no. 2, September 2011, p. 197.

16 Liu Mingfu's *Zhongguo Meng* (The China Dream) was published in 2010. But it is Wang Jisi who is the more influential. See his "China's Grand Strategy: A Rising Power Finds Its Way," *Foreign Affairs*, vol. 90, no. 2, March-April 2011 and Mingjiang Li, "Rising from Within: China's Search for a Multilateral World and Its Implications for Sino-US Relations," *Global Governance*, vol. 17, no. 3, July-September 2011.

17 David Scott, "Soft language, soft imagery and soft power in China's diplomatic lexicon," *China's Soft Power and International Relations*, eds. Hongyi Li and Yiyi Lu, New York: Routledge, 2012, p. 41.



Does the idea of regionalism and multipolarity have a concrete existence in the world, apart from the lexicon of Chinese diplomacy, and increasingly the diplomacy of the BRICS states? The ideas of regionalism and multipolarity made their appearance in 2003 around the debates over the US desire to attack Iraq and at the trade discussions at the Cancún meeting of the World Trade Organization.<sup>18</sup> NAM's chair in 2003 was South Africa's Thabo Mbeki, who attempted to create a peaceful solution against a US assault on Iraq. The US pressured South Africa to expel Iraq's ambassador — but failed. It did, however, go to war. Distrust of the Bush administration fed into the long-standing debates over subsidies to northern agriculture as part of the debate over "reforms" in the subsidy regimes of the South. Brazil, China, India, South Africa, the group of the Least Developed Countries and the African, Caribbean and Pacific bloc resisted pressure from the World Trade Organization Commissioner Pascal Lamy to "steer" the organization to a "compromise," which would mean victory to the North. The South prevailed, and Lamy lamented, "The World Trade Organization remains a medieval organization," which meant that it was not pliable to Northern direction.

The experience of the Iraq War and Cancún led to the creation of a new group, the IBSA Dialogue, which included one country from each of the Southern continents: India, Brazil, and South Africa. Complementarities in these countries led them to increase trade among themselves, and to work together at international forums for their interests and that of the South in general. Over the course of several meetings, the dialogue framed a new intellectual agenda, now not so much non-alignment as regionalism and multi-polarity. Brazil brought the Latin American experience to the table — notably the process that led, in 2004, to the creation of the trade bloc, the Bolivarian Alliance for the Americas, and, in 2010, to the creation of the political bloc, the Community of Latin American and Caribbean States. Regionalism and multi-polarity became the central intellectual themes of the BRICS, when China and Russia joined Brazil, India and South Africa to create a new major world grouping. The 4<sup>th</sup> BRICS summit, held in New Delhi in March 2012, underscored the importance of dialogue and cooperation "in a multi-polar, inter-dependent and increasingly complex, globalizing world." The 5<sup>th</sup> BRICS summit, this time in Durban (South Africa), in March 2013 reaffirmed this sentiment and now offered a commitment from the BRICS bloc itself "to the promotion of international law, multilateralism and the central role of the United Nations. Our discussions reflected our growing intra-BRICS solidarity as well as our shared goal to contribute positively to global peace, stability, development and cooperation. We also considered our role in the international system as based on an inclusive approach of shared solidarity and cooperation towards all nations and peoples." The ideas of multi-polarity and regionalism anchored the BRICS' vision for peace and security. The new politics emergent out of formations such as the BRICS is no longer for non-alignment, nor for an accommodation with US primacy; it is for the more realistic platform of multipolar regionalism.

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18 This history is based on my *The Poorer Nations: A Possible History of the Global South*, New Delhi: LeftWord, 2013.

## India in the US Narrative.

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“Your *qibla* is Washington.”

Iranian Diplomat to former Indian Diplomat, Chinmaya Gharekhan, 2013.<sup>19</sup>

In 1991, things seemed to be moving on a different track. India’s formal liberalization policy was inaugurated with much fanfare and with considerable nudging from the IMF and IMF-oriented economists within India (such as the current Prime Minister, Manmohan Singh). With liberalization came a reorientation of foreign policy: there was an assessment in the early 1990s that the shift from a dirigiste economy entailed a friendlier attitude toward the West.<sup>20</sup> The emergent consensus among the New Delhi elite was that normal relations with Israel would send a signal to Washington of Delhi’s seriousness toward the established power equation. Non-alignment was to be squandered on behalf of a new alliance policy with the United States, a kind of alliance that might mimic the special relationship between Israel and the United States.

It was toward this alliance that the Congress (led by Narasimha Rao, 1991–1996) and the Hindu nationalist Bharatiya Janata Party (BJP) (led by Atal Bihari Vajpayee, 1996, 1998–2004) pushed, with a brief interregnum that tried to return the country to both the dirigiste economy and the non-aligned foreign policy (led by Dewe Gowda and Inder Gujral, 1996–1998). These governments ran roughshod over a recalcitrant Ministry of External Affairs (the MEA, India’s diplomatic corps and foreign ministry), where the habits of Nehruvian statecraft remained. (When former diplomat and Congress leader Natwar Singh ascended to head the Foreign Ministry in 2004–2005, an MEA bureaucrat told me that they hoped for a revitalization of the NAM dynamic; it was not to be.) The principle mode of the Congress and BJP governments has been to engineer a strategic partnership with the United States.

Other currents remained, however, such as the recognition amongst sections of the elite and in the MEA that the United States was a fickle friend, in need of its alliance with Pakistan (particularly after 2001), and unwilling fully to commit to making India a partner in the first circle of world affairs. There is also the more recent caution by the *Nonalignment 2.0* group that an adversarial position against China might be counterproductive since there might at any point be a “tactical upswing in Sino-American ties.”<sup>21</sup> It was never going to be an easy sell, to disrupt India’s own various international entanglements and the various theories of its national interest in order to become the subordinate partner in an alliance with the US.

The Indian government recognized the state of Israel in January 1992, and over the course of the decade developed close ties for the import of military hardware and intelligence software.<sup>22</sup> As well, India tempered its previously resolute backing for the Palestinian struggle. This was an important signal to Washington. It meant that India was willing to sacrifice its own ideological and institutional commitments for a narrative of the world favorable to Washington. If India could become close to Israel, the door to the special relationship that really mattered (with Washington) opened wider.

By the late 1990s, the Indian government turned toward increased arms purchases from the United States and welcomed US military personnel to train with the Indian armed forces. This close relationship (“interoperability”) sent the next hint. Since much of the military relationship is also commercial, it is fitting that these two elements (the military and the commercial) deepened side-by-side. In the Clinton years, Treasury Secretary Lloyd Bentsen repeatedly said of India that its middle class is the “size of France,” and so is capable of buying much that US firms produce (even as the production sites moved to China). The “special relationship” therefore had a very prominent commercial angle—with agricultural businesses interested in drastically changing Indian agriculture (to a more agro-business model) and energy firms invested in the privatization of the forecasted energy boom. Cargill and Enron, General Electric and ADM lined up with as much enthusiasm as the major banks, who wanted to open up the money markets to predatory “hot money.”<sup>23</sup>

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19 Chinmaya Gharekhan, “Lesson on Diplomacy, from an Iranian,” *The Hindu*, February 1, 2013.

20 C. Raja Mohan, *Crossing the Rubicon: The Shaping of India’s Foreign Policy*, New York: Palgrave, 2004 and *Impossible Allies: Nuclear India, United States and the Global Order*, New Delhi: India Research Press, 2006.

21 *Non-Alignment 2.0*, p. 32.

22 I detailed this shift in *Namaste Sharon*, New Delhi: LeftWord, 2003 and in “India’s Israel Policy,” Doha: Al Jazeera Centre for Studies, 2013.

23 For one sense of these developments, see Prabir Purkayastha and Vijay Prashad, *Enron Blowout: Corporate Capitalism and the Theft of the Global Commons*, New Delhi: LeftWord Books, 2002.

The battlefield that turned out to be the most contentious was the question of Iran. It was the test case of India's subordination to the US narrative of world affairs. The Bush administration was adamant that Iran be isolated, despite Washington's adventure in Iraq and its own removal from the world community of the UN General Assembly. The problem of Iran as far as US foreign policy is concerned is not about the Iranian government and the Iranian people. Iran poses a threat to the establishment's order of things in West Asia. For the US and its clients, Iran has been a threat since 1979, and this is precisely the reason why they: (1) encouraged the 1980 Carter Doctrine (that the defense of the Persian Gulf region was a vital national interest for the U.S.); (2) pushed Iraq to go to war with Iran (1980–1988); and (3) formed the Gulf Coordination Council, the Arab NATO (1981). Iran poses a political threat to the establishment's order of things, and it has long been this establishment's policy to reduce Iran by military and political means. Corraling India into this policy has been US policy since the early 1990s.

In January 2004, the Bush administration sent David Mulford to be the US ambassador to India. Mulford remained at this post until 2009. It was a crucial period. When Mulford came to India, relations between Tehran and New Delhi were on a reasonably good footing: congruence on Afghanistan was the most recent foreign policy linkage, but so too was the question of energy.

The deal from Washington was simple. India would soft-pedal the natural gas pipeline in exchange India would be given assistance in building up its nuclear sector (to be built, largely, by US firms). Any disentanglement from Iran would allow India freedom of maneuver toward the US narrative of world affairs. When next the United States needed a vote to sanction Iran, in the IAEA or in the UN, it might have to call upon India, and thereby confuse the NAM bloc, which was often led by India on some of these matters. To make the case, Bush sent his Secretary of State Condoleezza Rice to India in 2005; she got what the United States wanted from India, but gave very little. India did not get a commitment of US support for a permanent seat at the UN Security Council, and the United States would not go back on its commitment to sell Pakistan a new batch of F-16s. Rice lobbied hard for India to abjure the peace pipeline and to adopt the nuclear road. It was clear by 2005 that the nuclear deal was a quid pro quo for scuttling the peace pipeline and for giving the United States political cover in the NAM-type forums in its policy to isolate Iran.<sup>24</sup>

The best case scenario for nuclear power was that it would provide no more than 5 percent of India's electricity needs and only 2 percent of its energy needs by 2015—hardly a solution to India's energy problem.<sup>25</sup> It was, rather, a political matter: an India now anointed as a legitimate nuclear power, and emboldened to seek its proper place in the Security Council must earn that role by acting "maturely," namely working with the "international community" (viz. the Atlantic powers) to isolate "revisionist" powers, such as Iran.<sup>26</sup> That was the bottom line. The aggravations of David Mulford come out clearly in the cables he sent off to the US State Department. In early September 2005, prior to India's vote against Iran in the IAEA on September 24, Mulford met Shyam Saran, at that time India's Foreign Secretary, the top Foreign Service position in the Ministry of External Affairs. In Mulford's rendering, he "delivered the mail (wrapped in a brick)." Mulford told Saran, "The time was drawing near for fence-sitters to make hard decisions." Then comes the clear quid pro quo: "Many in [the US] Congress and throughout Washington, [Mulford] reminded Saran, were watching India's treatment of Iran prior to Congressional debate on the US-India civilian nuclear initiative." One could only come if the other was demonstrated. Why was India's vote so important? "India had a key voice in the NAM and could swing opinion in the [IAEA Board of Governors]; it was time, [Mulford] said, for us to know where India stood."<sup>27</sup> From the US side, the "nuclear deal" was about nuclear energy (and \$60 billion promised in purchases for nuclear hardware), but more so it was about cementing India's shift from its non-aligned foreign policy to being a subordinate ally of the US narrative.<sup>28</sup>

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24 Parts of what follows was previously published in Vijay Prashad, "Quid Pro Quo? The Question of India's Subordination to the 'American Narrative,'" *Monthly Review*, vol. 63, no. 5, October 2011.

25 M. V. Ramana, *The Power of Promise: Examining Nuclear Energy in India*, New Delhi: Penguin, 2013.

26 On the idea of "revisionist" powers and the place of Iran in US policy, see my *Arab Spring, Libyan Winter*, New Delhi: LeftWord, 2012, part 1.

27 US State Department Cable no. 39910. 05NEWDELHI6840, Embassy New Delhi, Confidential. September 6, 2005 (Wikileaks Cache).

28 Prakash Karat, *Subordinate Ally: The Nuclear Deal and India-US Strategic Relations*, New Delhi: LeftWord Books, 2007.

But the irritant to Mulford was neither the BJP nor the Congress. On December 28, 2005, BJP National Executive Member Seshadiri Chari told the US embassy that they should not “read too much into the foreign policy resolution [of the BJP national council meeting], especially the part relating to the US.” This was just “standard practice,” the BJP leader told the Embassy—rhetoric for the elections.<sup>29</sup> On October 21, 2005, BJP leader Jaswant Singh met with Nicholas Burns, no. 3 at the US State Department, and the point person for the nuclear deal. Singh complained about US support of Pakistan. But the main message that Singh delivered was that the Congress Party “does not have the intellectual commitment to improve US/India relations.” The Congress Party is hampered by the Communists who are bent on “hollowing out” the Congress Party by “disapproving anything and everything.”<sup>30</sup> The BJP would govern without any Communist influence, and was therefore a better partner.

The United States was also not convinced that the Congress was the problem. It was the Communist bloc that was obdurate. Jaswant Singh told Burns, “The Communists will obstruct the policy and the PM should deal with this problem. Singh emphasized that the United States should not have frontloaded the relationship with nuclear issues but should have waited to construct a large political base first.” To pass the US nuclear deal through the 14<sup>th</sup> Lok Sabha (parliament) without the support of the Left parliamentary parties eventually required the Manmohan Singh government to engage in massive vote-buying of MPs. This has now been confirmed by the publication of a secret cable, sent from New Delhi on July 17, before the Lok Sabha vote of confidence, attesting to US prior knowledge of the vote-buying scheme.<sup>31</sup>

For the “strategic relationship” with the United States fully to emerge, the communist bloc in the parliament had to be cut down to size. It helped that at this opportune moment, the Left Front government in Bengal ran into trouble with its attempt to acquire land for a Tata factory in Singur. The slide downhill for the Left Front’s popularity could be gauged by the events in Singur of 2006, just when the nuclear situation with Iran began to heat up. The Left Front suffered in the *panchayat* elections (2008), the Lok Sabha elections (2009), the municipal elections (2010) and the Assembly elections (2011). The four parties that comprise the Left bloc in the parliament (the two parliamentary communist parties, the Forward Bloc and the Revolutionary Socialist Party) saw their membership in the Lok Sabha drop from 58 (in the 14<sup>th</sup> Lok Sabha, 2004–2009) to 24 (in the 15<sup>th</sup> Lok Sabha, 2009–present)—out of a total of 543. A weaker Left presence in the parliament has strengthened the ability of the Congress more fully to adopt the US narrative of world events.

Another problem for those who wished to consolidate the US-India relationship was the inherited people and ideas inside the Foreign Service. Prior to Iranian President Mahmoud Ahmadinejad’s visit to India in late September 2008, the MEA went into turmoil. It released an official statement that the US embassy in Delhi characterized as “an anodyne draft statement that reiterated standard Indian talking points on Iran.” MEA Joint Secretary (Americas) Gaitri Kumar had shown the draft to the Political Counselor at the US Embassy, and told him, “India’s growing relationship with the US had split MEA into two camps.” A member of the MEA who was against the strong relationship wrote the draft, which enraged Foreign Secretary Shivshankar Menon, who was in Beijing on a visit. The US embassy registered “its protest against the MEA’s offensive statement on Iran,” and pushed on with its attempt to strengthen its allies in the MEA and weaken its adversaries.<sup>32</sup>

One example of how the US government influenced the Indian External Affairs bureaucracy is in its attempt to undermine Nirupam Sen, the Indian Permanent Representative to the United Nations. Sen had come to the UN from his post as Indian Ambassador to Sri Lanka. An intellectual with a seasoned understanding of world affairs, Sen threw his energy into a push for more democracy in the UN and less fealty by the NAM bloc and India to Washington. Sen was well-liked among the representatives from the South, and earned the respect of the UN establishment (upon his departure from the ambassadorship, Sen

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29 US State Department Cable no. 48692. 05NEWDELHI9761, Embassy New Delhi, Confidential. December 28, 2005 (Wikileaks Cache).

30 US State Department Cable no. 43447. 05NEWDELHI8231, Embassy New Delhi, Confidential. October 24, 2005 (Wikileaks Cache).

31 US State Department Cable no. 162458. 08NEWDELHI1972, Embassy New Delhi, Confidential. July 17, 2008 (Wikileaks Cache). The apposite sections are reproduced here: “Sharma’s political aide Nachiketa Kapur mentioned to an Embassy staff member in an aside on July 16 that Ajit Singh’s RLD had been paid Rupees 10 crore (about \$2.5 million) for each of their four MPs to support the government. Kapur mentioned that money was not an issue at all, but the crucial thing was to ensure that those who took the money would vote for the government. Kapur showed the Embassy employee two chests containing cash and said that around Rupees 50-60 crore (about \$25 million) was lying around the house for use as pay-offs. Another Congress Party insider told PolCouns that Minister of Commerce and Industry Kamal Nath is also helping to spread largesse. ‘Formerly he could only offer small planes as bribes,’ according to this interlocutor, now he can pay for votes with jets.”

32 US State Department Cable no. 151154. 08NEWDELHI1134, Embassy New Delhi, Confidential. April 24, 2008 (Wikileaks Cache).

became Special Senior Advisor to the President of the UN General Assembly). But he was despised by Washington. A cable from US Ambassador to the UN John Bolton about Sen offered the full view of why he was disliked: “Sen’s arguments consistently attack the Charter-based rights of the Security Council and the P-5 [the five permanent members] in particular. He routinely characterizes the P-5 as an exclusive club attempting to perpetuate an historical dominance within the international community that no longer reflects reality and does not acknowledge rising powers. (His statements along these lines, particularly as they coincide with the [US] Administration’s efforts to achieve an historic nuclear deal with India, strike us as terribly anachronistic.)” Bolton suggested that Sen was an “unreformed Communist.”<sup>33</sup>

Remarkably, at a lunch meeting between Sen’s Deputy, Ajai Malhotra, and Bolton’s Deputy, Alejandro Wolff, the Indian said that he “had been sent to New York with instructions from Indian Foreign Secretary Shyam Saran to cooperate with the USG [US government] on the broad range of issues,” and, as Wolff put it, “to check his boss’s antiquated instincts.” Malhotra criticized Sen’s “confrontational attitude to the USG,” which led Wolff to his own assessment.<sup>34</sup> In May 2009, the Indian government ended Sen’s tenure, and sent as his replacement Hardeep Singh Puri, whose appointment pleased the US government. In a meeting on May 1 with Political Counselor Ted Osius in New Delhi, Malhotra indicated that he wanted to increase US–India engagement “to a higher degree of convergence.”<sup>35</sup> Head of the India-US Forum of Parliamentarians, Ramesh Chandran put it plainly, “Noting Puri’s Moscow-educated, UN predecessor Nirupam Sen’s proclivity to cling to a leftist non-aligned mentality, Chandran favorably compared Puri whom he contended has a much more modern and twenty-first century way of thinking”—in other words, one subservient to the US narrative of world affairs.<sup>36</sup> Puri was never as subservient as Washington imagined. His diplomatic imagination had been formed around the pillars of the NAM more than fealty to the US narrative.<sup>37</sup> Nor was Shyam Saran as enamored by the US narrative as the US State Department assumed. When he retired from office, he authored a study of the new geo-political environment that echoed the view of the BRICS and of multipolar regionalism.<sup>38</sup>

The US architects of the new “strategic relationship” with India must see their work as a success: their junior partners atop of the Congress-led government have freed themselves of pressure from a weakened parliamentary Left, and dissent within the Foreign Service to an abject subservience to the US narrative had appeared to be silenced.

The pendulum of fealty to the US narrative began to swing back around 2008. Two developments led to this movement. First, the credit crunch in the US and the Euro-Zone that convulsed financial institutions and led to a major housing and bank crisis constrained the messianic faith amongst the ruling elites of the North Atlantic of their planetary destiny. The credit crunch in the North Atlantic came on the backs of a recognition that US military power had been far too thinly worn not only in the conflicts of Afghanistan and Iraq but by the entire “hub and spoke” system. Confounding rhetoric against Iran could simply not be matched by any comparable military posture, and even the intervention in Libya had to be restricted to aerial bombardment with some Special Forces support. The period from 2007 showed a decisive weakening of the US bloc, notably in the empty promises to wind up the G8 and replace it with the G20 (including the major countries of the South). Second, the opening provided by the weakened North Atlantic and the broken promises of the G8, led to the creation of the BRICS bloc, where the “locomotives of the South” strengthened the resolve of each other to act not so much as a sectional grouping but now as an alternative power center. Whatever the limitations of the BRICS bloc, and there are many, this has been its most significant contribution.<sup>39</sup> It is what stayed India’s slide into the US narrative, and opened breathing room for other tendencies, such as the Southern Silk Road.

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33 US State Department Cable no. 68952. 06USUNNEWYORK18799, US Mission New York, Confidential. June 21, 2006 (Wikileaks Cache).

34 US State Department Cable no. 64794. 06USUNNEWYORK1033, US Mission New York, Confidential. May 19, 2006 (Wikileaks Cache).

35 US State Department Cable no. 215357. 09USUNNEWYORK653, US Mission New York, Confidential. July 7, 2009 (Wikileaks Cache).

36 US State Department Cable no. 205168. 09NEWDELHI877, Embassy New Delhi, Confidential. May 1, 2009.

37 Vijay Prashad, “Syria, Libya and Security Council: an interview with Hardeep Singh Puri, Permanent Representative of India to the United Nations,” *Frontline*, March 10-23, 2012.

38 Shyam Saran, “The Evolving Role of the Emerging Economies in Global Governance – An Indian Perspective,” New Delhi: Research and Information System for Developing Countries, 2012.

39 For a fuller assessment of the BRICS bloc, see my *The Rise of the BRICS: Neoliberalism with Southern Characteristics*, New York: Rosa Luxemburg Stiftung, 2013.

# The Southern Silk Road

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“India and Iran have a strong bilateral economic relationship and it needs to further deepen for the benefit of peoples of both countries, we must work together to promote trade and economic links and increased people-to-people contacts between us and within the region.”

President Pranab Mukherjee, February 28, 2013.<sup>40</sup>

Regionalism rests firmly on the mantle of geography. Attempts to isolate a country for ideological reasons do not always work. The West demands that all countries reduce to zero their oil imports from Iran. US-occupied Afghanistan is landlocked, but it shares a 582-mile (936 km) border with Iran. NATO's supply lines through Pakistan are prone to political turmoil, and NATO has faced problems in Central Asia as governments there have cleverly bargained up the prices for base rentals and use of their land routes. Afghanistan, therefore, buys up to *half* of its oil from Iran.<sup>41</sup> It has been impossible to insist that the Karzai government in Kabul join the blockade against Iran – the adverse effects of an already crisis-prone Afghanistan, and therefore on the fragile occupation, would only intensify.

Despite ideological entanglements sufficient to bewilder the most cautious political scientists and a fragile security environment that is not helped by agendas of warfare, new maps are being created in Central Asia. Roads, rail-lines and pipelines move from blueprints to the ground. A freight line will run from Herat, in western Afghanistan, to Mashad, in northeastern Iran, and then onward to Turkey. The Chinese East-West rail network runs from the Pacific Rim, crossing into Kazakhstan, leading into Uzbekistan. Tashkent-Samarkand-Bukhara-Khiva-Urgench: all storied names of the old Silk Road, and then to Sarakhs taking the train from Turkmenistan to Iran, leading eventually to Mashad. All this is part of the new Southern Silk Road.<sup>42</sup>

The regional agenda between India and Iran is a piece of this Southern Silk Road, and it comes in three aspects.

1. Oil and Gas from Iran to India.
2. Wheat and Medicines from India to Iran.
3. A Maritime Caravanserai.

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40 “India, Iran must promote trade, economic links: Prez Pranab Mukherjee,” *Indian Express*, February 28, 2013.

41 Special Inspector General for Afghanistan Reconstruction, *Afghan National Security Forces: Limited Visibility Over Fuel Imports Increases the Risk that US-Funded Fuel Purchases Could Violate US Economic Sanctions Against Iran*, SIGAR, SP-13-2, January 2013, p. 7.

42 Much of the material below comes from the reporting I have done for *Asia Times* between 2010 and 2013.

## Iran's Energy

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India's political leadership says that India will reduce its imports of Iranian oil and suspend the pipeline for natural gas. A senior MEA official, on the other hand, told me that there has been no government pressure on importing firms to cut back on Iranian oil (and that the pipeline remains in abeyance, but it is by no means off the table). The Public Sector Units and Essar Oil, which import oil, have voluntarily slowed their purchases from Iran because of the financial difficulties posed by the Western sanctions regime. It has become virtually impossible to pay Iran for the oil, and insurance companies are unwilling to cover the ships and the cargo that leave Iranian ports. In 2012, the Indian Export Credit Guarantee Corporation, which underwrites the risk of Indian exporters, said that it would not halt insurance cover for exports to Iran but that it has become "very cautious" and "will try to keep our exposure at the minimum level."

Since 2008, the West has led an aggressive agenda to isolate Iran's ability to take payments for its oil shipments. In December 2010, the Reserve Bank of India hastily left the Asian Clearing Union mechanism through which Indian firms paid for Iranian oil. Arrangements through the *Turkiye Halk Bankasi* and the Germany-based *Europaisch-Iranische Handelsbank AG* provided short-term measures for Indian firms to reach Iran, but under Western pressure these paths were closed down on February 6, 2013. In early 2012, the main financial messaging service for international money transfers, SWIFT, announced that it would cut Iran out of its network. The Society for Worldwide Interbank Financial Telecommunications (SWIFT) network deals with about ten thousand member banks and transmits seventeen million financial messages per day. In 2010, nineteen Iranian banks and twenty-five financial institutions transmitted two million messages through the SWIFT network. Based in Brussels, SWIFT is vulnerable to the EU embargo of Iran. Its corporate leaders, Yawar Shah (Citigroup) and Stephan Zimmermann (UBS), are ingrained in the Atlantic financial architecture, and unwilling to stand up to the political pressure from their capitals. Avi Jorisch, a former US Treasury official said, "This is a financial equivalent of warfare." SWIFT has never before expelled a country in this fashion. Iran is now isolated from the international financial system.

In early 2012, the Indian and Iranian governments worked on a mechanism to sidestep the pressure from the West. By March, the two sides agreed on a Rupee Payment Mechanism. Forty-five percent of the payment would be made in Rupees, with the status of the remainder unclear. Iran's Parsian Bank opened an account at the Kolkata-based UCO Bank where it would accumulate its Rupees. The Indian government has annulled a mandatory withholding tax of forty-two percent to facilitate the arrangement. A source in the MEA told me that India would like "100 percent of the oil payments to be made in Rupees." As Iran's financial problems deepened, the Iranian government refused to honor the Rupee agreement in 2013, and sought payment in Rouble, Yen or Yuan. India's Petroleum and Natural Gas Secretary Vivek Rae reported in October 2013 that a team from the Indian Reserve Bank and Finance Ministry would soon travel to Tehran to find a new mechanism for payment of the oil imports.<sup>43</sup> As the economic crisis in Europe deepens, self-interest will dictate a return to Iranian oil imports despite the attempt by the US to tighten its embargo. In early November, Mohsen Qamsari, director of international affairs for the National Iranian Oil Company told the Shana news agency, "A large number of traditional buyers of Iranian crude oil are making the preparations for raising their crude oil purchases from Iran." He had in mind the Europeans. If they will begin to pierce the embargo, it will be hard to constrain India.

The pipeline from Iran is also, diplomats tell me, not off the agenda. The only reason the Turkmenistan pipeline seems to be moving faster is because the rates promised for the natural gas are lower than those set by Iran. Western pressure is certainly part of the equation, but it is not determinate. In 2006, India and Iran publically disagreed over prices. India's Oil Minister Murli Deora said that despite a rise in energy prices, India wants to buy the gas at the price set in place in a 2005 contract worth \$22 billion. Iranian Deputy Oil Minister Mohammed Hadi Nejad Hosseinian came to New Delhi in May 2006 to inform the Indians that the Iranian government had not ratified the deal, so there is no obligation to honor the price. "The Indian side thinks it is approved," he said, and "so we have a dispute." This dispute continues. "Iran has pegged the price at international rates plus a certain percentage of profit," one diplomat said in 2013. "Where is the advantage for us? We would also like to be assured of the security of supply what with the pipeline running through Baluchistan."<sup>44</sup>

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43 Sujay Mehdudia, "India Opens Talks with Iran Over Payments for Import of Crude Oil," *The Hindu*, October 2, 2013.

44 Sandeep Dikshit, "Price and Security, not US Pincers, have stalemated Pipeline Talks: India," *The Hindu*, August 29, 2012.



On February 20, 2013, the Iranian and Pakistani consortium to run the 2700 km gas pipeline from the South Fars field (in Iran's Assalouyeh Energy Zone in the south) through Baluchistan and Sindh into Punjab began construction on the Pakistani sector. This part of the pipeline will run from the Iran-Pakistan border to Pakistan's Navabshah region.

When news of the Iran-Pakistan pipeline broke, Pakistan's Minister of Foreign Affairs Hina Rabbani Khar said that the US had neither spoken to Pakistan about it nor put any pressure on Pakistan to suspend the pipeline project. US State Department spokesperson Patrick Ventrell had already said that "it is in their best interests to avoid any sanctionable activity, and we think that we provide and are providing a better way to meet their energy needs in some of the assistance we're providing." Pakistan's president, Asif Ali Zardari, went to Tehran in late February 2013 to complete the negotiations so that the ground-breaking ceremony at Gabd Zero Point could take place. "The international and regional players have tried in vain to prevent expansion of Iran-Pakistan ties but the people have learnt how to act against the enemies of Islam," he said. Zardari is right that there are "international players" who oppose these ties, but they are less the "enemies of Islam" than the enemies of multi-polar regionalism. It is perhaps to drive a wedge between India and Iran, or to paper over concern in Tehran over anti-Shia violence in Pakistan, that Zardari resorts to the language of religion. It does a disservice to the logic of regionalism. Rabbani Khar had a much more capacious understanding of the pipeline projects. This was not about Islam, but economics. "We need to look at all possible sources of energy, including the proposed Turkmenistan-Afghanistan-Pakistan-India gas pipeline," she noted. "The Iran-Pakistan gas pipeline will meet only half the shortfall of energy needs of Pakistan and not our full demand." India's market will help Pakistan bid down the energy costs of these pipelines and earn Pakistan needed transit fees.

Iran has already built nine hundred kilometers of the pipeline on its side of the border. Javad Owji of the National Iranian Gas Company said that the pipeline should be ready in twenty-two months at a cost of \$1.5 billion. Over twenty million cubic meters of Iran's natural gas would go to Pakistan per day. By early November 2013, construction of the pipeline ceased. The Pakistanis wanted Iran to pay \$2 billion towards the construction of the pipeline in the Pakistani side, which the cash-strapped Iranians refused to do.<sup>45</sup> The dispute is not substantial, since Pakistan's Oil Minister Shahid Khaqan Abbasi hastened to note that there is "no change to abandon the pipeline project, because we need it."<sup>46</sup> Hurdles remain. Pakistani has not yet negotiated the price of the gas, the major sticking point between India and Iran. If India and Iran do not come to an agreement, the India-Pakistan-Iran pipeline will end up being an Iran-Pakistan pipeline. Final deals between India and Iran have been announced on several occasions since Iranian Oil Minister Kazem Vaziri promised one for June 2006 and since the Joint Working Group undertook to seek a compromise in 2007. Discussions continue with the hope that the numbers will begin to make sense to all sides as the energy crisis heats up in South Asia.

India, Iran and Pakistan jointly appointed a UK consultancy firm, Gaffney, Cline and Associates to work out a price mechanism benchmarked to Japanese custom cleared crude (the formula takes into consideration the cost of Liquefied Natural Gas in Japan, LNG shipping costs from the Persian Gulf to Japan, cost of gas liquefaction in Japan, cost of gas processing for LNG mode and pipeline mode, and the estimated pipeline transportation cost from Assaluyeh to the Iran-Pakistan border).<sup>47</sup> The energy from the pipeline gas is estimated to be greater than generated from coal, but cheaper than that from Qatari and Iranian LNG. Professor Anoop Singh studied the cost structure and concluded, "The natural gas supply from IPI gas is not expected to be cheap but it is expected to supplement natural gas availability in India. The 'real' economic benefits of the IPI pipeline are to be found beyond the offered price of gas. Although security concerns are real, the project structuring and supply contract must envision the potential for disruption of supplies. The pipeline may serve as a 'peace pipeline' and may serve to strengthen economic ties between India and Pakistan."<sup>48</sup>

45 Meena Menon, "Pakistan asks Iran for clarification on gas pipeline," *The Hindu*, November 1, 2013.

46 "Iran Says Pakistan Must Finance Own Gas Pipeline," *The Dawn*, November 4, 2013.

47 Anoop Singh, "The Economics of Iran-Pakistan-India Natural Gas Pipeline," *Economic and Political Weekly*, September 13, 2008, p. 61.

48 Singh, "The Economics of Iran-Pakistan-India Natural Gas Pipeline," p. 64.



# Trade

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Indian industrial and agricultural interests are eager to enter the Iranian market. On January 2, 2013, at Delhi's Observer Research Foundation, the head of Iran's Supreme National Security Council, Saeed Jalili said that Western sanctions on Iran are an "opportunity" not a "threat." India's growing domestic pharmaceutical companies can now expand into Iran without care, he pointed out. "We view relations with India favorably," Jalili said. Jalili's comments echoed the remarks made by the Indian diplomat Yash Sinha. At a speech in mid-December 2012 Sinha said that Iran remains "an important country" in the neighborhood, and that there was "great scope" for increasing India-Iran trade. Because of US-EU sanctions, Sinha pointed out, there is an opportunity to increase Indian exports to Iran "if payment and shipping related difficulties are overcome." Currently, in a Calcutta bank, Iran holds Rs. 20,000 crore (about US \$4 billion) in lieu of the oil exports to India. This money can either be used to buy Indian goods or else for infrastructural investment in India itself.

In March 2012, the Federation of Indian Export Organizations (FIEO) sent a delegation to Tehran, and in December a delegation from the Pharmaceutical Export Promotion Council of India (Pharmexcil) followed them. Both delegations went, as FIEO's Rafeeqe Ahmed put it, to "negotiate new contracts diversifying and expanding exports." Anand Seth of FIEO expected that the contracts would be "huge," with the main areas of interests being sales of Indian iron and steel, pharmaceuticals, rice, tea and wheat. A government official of the Indian Commerce Ministry told me that there is hope that India will close deals worth \$30 billion, which is considerably more than the current sales of \$2.74 billion. "There is a great deal of interest in the Ministry to take advantage of the situation. Many of Iran's previous trade partners are being skittish as a result of the sanctions. India should be ready to fill in where need be, not for any political reason, but because we have a commercial interest here," he said.

The Commerce Ministry official is honest in his statement that India is not motivated by any political desire to break the Western sanctions. Economic interests seem to be at the forefront. FIEO's Ahmed notes, "Iran is an emerging destination for Indian exports. During the last financial year, despite banking uncertainties, our exports went up by about fifty percent to touch US\$2.71 billion." But Ahmed is being optimistic, as is the Commerce Ministry official. Some problems remain.

## a. Wheat

Iran produces 13.8 million tonnes of wheat per year, but has taken to import about 5 million tonnes, a hundredfold increase over the past year. This imported wheat comes from Pakistan (which barter wheat for iron ore and fertilizer), China and, remarkably, hard red winter wheat from the United States (about half a million tonnes). Iran had begun to purchase wheat from the US in 2008, the first time since 1979.

Iran stopped buying Indian wheat in 1996 because of the outbreak of a fungal disease called Karnal Bunt. In mid-January 2013, an Iranian delegation was in India to settle on quality controls for the import of two hundred thousand tonnes of Indian wheat, a modest start for the promised import of 2 to 3 million tonnes of grain each year. But the talks broke down, with Iran refusing to accept the 0.25% tolerance level for the Bunt in Indian wheat (a level consistent with that of US wheat). An Iranian diplomat said that this was not a governmental decision, but "a matter of business considerations."<sup>49</sup> Business considerations do not seem to humble Iranian buyers when it comes to US wheat, which has the same level of fungus.

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49 Ghakrekhan, "Lesson on Diplomacy."

Why does Iran buy US wheat despite the political pressure for the annihilation of the Iranian regime by Washington? First, Iran sought wheat on the world market. A full quarter of the wheat export market is dominated by the US, which has the world's largest wheat production. As a result of subsidy regimes in the US (for water and fuel) and the economies of scale from factory farming, US wheat prices are comparatively low. Whereas other countries frequently produce export bans on wheat (as India did in February 2007), US wheat is on a ceaseless conveyor belt.<sup>50</sup> Second, there is a long history of Iranian purchases of US wheat, from the wartime buying in 1942 alongside the Lend-Lease Program (this is during the period when the British and the US allowed a famine to develop in Bengal) up to the 1979 Iranian revolution.<sup>51</sup> One of the underdeveloped themes in international relations is the lag between political events and cultural habits. Older cultural expectations for the superiority of Western goods are not to be discounted (as Jalal al-e Ahmad put it in his masterful 1962 book *Gharbzadegi*, or occidentosis – the “bad breath of the West”). Fears of the Karnal Bunt in Indian wheat seem fundamental to that wheat, whereas percentages of fungus in American wheat might very well be minimized. I asked several Iranian diplomats what they thought of this conundrum of wheat buying. Universally they smiled and said it was “a business decision.”

## b. Pharmaceuticals

On December 26, 2012, Iran sent a list of medicines to India that the country needed urgently (such as Amiodarone Hydrochloride, Amphotericin, Cefotaxime, Gadopentetate Dimeglumine, Iopromide, Mesalazine, Nicotinic Acid, Thiabendazole, Thioguanine, and Valganciclovir). In October, the US Treasury introduced a “standing authorization” that permits US firms to sell some medicines and supplies to Iran without seeking permission from the Office of Foreign Assets Control. But most US pharmaceutical firms have left a wide berth around Iran. India's Pharmexil and its Commerce Ministry have been eager to enter a sector worth billions of dollars.

Iran's pharma market is \$3.2 billion with generic drugs taking up \$1.78 billion, patented drugs at \$1.13 billion and over the counter drugs at \$0.36 billion. The Iranian market remains a huge opportunity. Indian pharmaceuticals worry, however, about two competing revenue streams. One particularly lucrative market has been Indian pharma's ability to replace US firms in the expanding generic drugs market in the West (it is because of this that BSE Healthcare Index rose by 40 percent in 2012). The other is the Iranian market. The cache of Indian rupees held by Iran in the Indian banks and the eager Iranian market make this an attractive opportunity for the Indian pharmaceutical firms. The problem will be how to balance the interest in US generics and Iranian needs. The US “standing authorization” on drug sales provides an indication that Indian pharmaceuticals need not worry about its competing interests for the present – although this is not comforting to the drug producers.

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50 Derek Headley, “Rethinking the Global Food Crisis. The Role of Trade Shocks,” International Food Policy Research Institute Discussion Paper no. 00958, March 2010.

51 That early history is available in Mehdi Heravi, *Iranian-American Diplomacy*, New York: Gaus' Sons, 1969. For the role of the UK in the Bengal Famine, see Madhushree Mukherjee, *Churchill's Secret War: The British Empire and the Ravaging of India During World War 2*, New York: Basic Books, 2010.

# Chabahar

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In May 2012, Afghanistan's Commerce and Industries Minister Anwar al Haq Ahady and Iran's Ambassador to Afghanistan Abolfazl Zohrevand signed an agreement to deepen the trade ties between these countries. The main issue before them was use of the Chabahar port in southeastern Iran. About 50 hectares of land beside the port has been set aside for the construction of a hub for Afghan traders.

Few people paid any attention to this pact, although it has much broader implications than for these Afghan traders. For the past decade, the Indian government has been working with the Iranians to upgrade the Chabahar port, with the expectation that eventually Indian ships will dock there and unload cargo destined not only for the Iranian market, but also crucially for the Afghan and Central Asian markets. The Chabahar port would make the land route across Pakistan unnecessary for Indian trade bound for the lucrative Central Asian market.

Chabahar comes from the words *char* (four) and *bahar* (Spring), suggesting that the port has four seasons of springtime. It is a major warm water port and will allow goods to travel into Central Asia throughout the year. In 1992, the Iranian government designated Chabahar as a Special Economic Zone to allow potential investment, mainly from South-East Asia. In September 2000, India, Iran and Russia signed the Inter-Governmental Agreement on the International North-South Transport Corridor in St. Petersburg to link India to Central Asia through Iran's ports and Afghan roads. The Afghan War since 2001 set back this endeavor but it did not stop it. In January 2003, the governments of Afghanistan, India and Iran met in Tehran to sign the Development and Construction of the Transit and Transport Infrastructure memorandum. Based on this, they worked on improvement of the road from Chabahar to Delarm and Zaranj in Afghanistan. The Indian Border Road Organization spent US\$136 million to assist the Iranians in linking up Chabahar to Afghanistan's main ring road highway, and so to all its major cities. These massive transportation networks mimic those that are being built in Myanmar (the Chinese-built port at Ramree and the Indian-built port at Akyab). These massive infrastructure projects dwarf the language of war.

Apart from the major highway to link Chabahar and the Kandahar-Herat highway, two rail projects are also planned. The first project, run by the Indians, plans to link Chabahar by rail to the mineral rich area of Hajigak (its mineral assets are estimated at \$1-\$3 trillion) and the copper mines of Zabul Province. The second project, run by the Iranians, will produce a freight line from Herat to Iran's northeastern city of Mashad (and then onward to Turkey). This rail project will not be complete for another decade. There is no hurry with this work, given the dangerous security situation in Afghanistan. Chinese firms had their employees flee from the Aynak copper deposit in Logar province when they came under rocket fire in 2012. Having returned to the site, they remain on tetherhooks. Turkish Petroleum Corporation, Kuwait Energy and Dubai-based Dragon Oil have purchased tenders to search for oil in two blocks in the Afghan Tajik Basin, but they too have not proceeded very far in their exploration. Things are in stasis as everyone watches what will happen with the NATO withdrawal or drawdown projected to begin in 2014.

Since the Indians helped build Chabahar, use of the port and transaction of goods will be largely tariff free. In the first week of March 2012, Indian ships docked at Chabahar and unloaded a hundred thousand metric tons of wheat headed for Afghanistan. This shipment was of humanitarian aid, and so made it harder for the US State Department to make any unpleasant noises about it. It was also, however, a test for future commercial shipments into the port.

Pakistan feels threatened by this new arrangement. It had built the Gwadar port in Balochistan with Chinese help as a counterpoint to Chabahar.<sup>52</sup> The relationship between Kabul and Islamabad has been historically poor. The Karzai government worries that the Pakistanis continue to back the Taliban as a wedge to maintain their forward policy into Afghanistan. It is worth recalling that when Pakistan was founded in 1947, Afghanistan did not recognize it. They have a long-standing border dispute on the 1893

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52 The anthropologist Hafeez Jamali warns that the benefits of Gwadar have not accrued to the local Baloch population, notably the fisherfolk. They initially protested when their lands were seized, then when their fishing rights were curtailed, and finally when their access to their Sufi shrines was diminished. Their civic protests were met with the full force of the Pakistani police and military, and this reaction turned them from citizens to Baloch nationalists. "A Tempest in My Harbour: Gwadar, Balochistan," *Dispatches from Pakistan*, eds. Qalandar Bux Memon, Madiha Tahir and Vijay Prashad, New Delhi: LeftWord Books, 2013. This problem of these massive development projects is universal – these roads and rail-lines are not neutral, but they often displace populations and create resentment. It is the reason why the Southern Silk Road might not be as resilient as it seems on the surface, built as it is on the quick sands of popular unrest.

Durand Line (“a line of hatred that raised a wall between the two brothers,” as Hamid Karzai called it). The Afghan government’s antipathy to Pakistani aims through the Taliban have drawn it closer to India and Iran, both of whom have a long-standing hostile relationship with the Taliban. Pakistan has for a long time felt India has tried to encircle it through its friendship with Afghanistan. This simmering enmity has meant that no rational foreign policy has been possible in the region.

In mid-February 2012, the presidents of Afghanistan, Iran and Pakistan met for their third trilateral summit in Islamabad. Two weeks later, the Pakistani government announced that it would ease restrictions on trade with India, as well as that it would not back down from its trade with Iran. India hoped to use the Wagan Border crossing to send goods into Pakistan and into Afghanistan. This was a good sign for regional inter-connections. It has not moved very far, fossilized by the hardness in Indo-Pakistan relations.

During the 16<sup>th</sup> NAM meeting in Tehran, the Pakistanis and Iranians met in a bilateral meeting to review the extensive ties between the countries, notably the proposed 2700 km gas pipeline from the South Fars field (in Iran’s Assalouyeh Energy Zone in the south) through Baluchistan and Sindh into Punjab. As well, the two leaders discussed the 1000 MW power transmission line that is to run from Taftan to Quetta, the upgrades for the rail line and road that links Taftan to Quetta, and pointedly, the 100 MW power supply project for Gwadar. The two sides briefly discussed a transportation link between Gwadar and Chabahar. That Iran is involved in the Gwadar power grid suggests that Tehran does not see Chabahar as competition to the Gwadar port (control of which had been handed over from Singapore’s PSA International to the Chinese government).<sup>53</sup>

Afghanistan remains under US occupation. India seeks a close equation with the US. Iran and the US are hostile powers. Yet, these four countries – Afghanistan, India, Iran, Pakistan -- with very different relations with the US, now find that geography is their destiny. A pragmatic and regionalist foreign policy built on the urgency of economic development draws these states together. Afghanistan needs access to a port and oil, as well as manufactured goods. Iran needs to sell its oil. India wants to find markets for its manufactured goods, and to find a ready supply of oil. Pakistan seeks energy and economic development, the former from Iran and the latter from closer ties to India. Such linkages, such comparative advantages, are hard to ignore.

The idea of multi-polar regionalism came to the fore through the interventions of the IBSA Dialogue and the BRICS platform. The 2012 Delhi Declaration of the latter noted, “BRICS is a platform for dialogue and cooperation amongst countries that represent 43% of the world’s population, for the promotion of peace, security and development in a multi-polar, inter-dependent and increasingly complex, globalizing world.” The use of the term “multi-polar” is central as are the themes of regionalism that are at the heart of many of the BRICS policy initiatives. If most of the regional bids have so far failed to bear fruit, this cannot be said of those attempts in Latin America. Innovative new regional ventures for cross-border trade (Bolivarian Alliance for the Americas, 2006) and for hemispheric political coordination (Community of Latin American and Caribbean States, 2010) have reduced the role of the US in the region, and ensured that even US clients (Colombia) have had to participate in the dynamic set in motion by these developments. The CLACS platform, unlike the Organization of American States (1948), does not have the United States as a member, and nor does it bend to the ideological and institutional pressures from Washington. The agenda for Latin America will now be set from the states of the region.

Flickers of regionalism emerged in Africa and Asia over the course of the past decade, but these were not able to endure. Conflicts in North Africa and West Asia alerted the African Union (Libya) and the Syria Contact Group (convened by Egypt, bringing together regional adversaries Iran, Saudi Arabia and Turkey into one configuration).<sup>54</sup> A faltering South Asian grouping (SAARC) and tensions in East Asia between Japan and China set the clock of regionalism in the rest of Asia to near zero. Tensions between Japan and China over the small islands (Senkaku/Diaoyu) and tensions between India and Pakistan over the border regions and Kashmir weaken regional initiatives and strengthen for the moment the hub and spokes order. The example of Latin America has not been properly grasped, nor the zeitgeist of regionalism properly focused upon.

53 Syed Fazl-e-Haider, “China set to run Gwadar port as Singapore quits,” *Asia Times*, September 5, 2012.

54 When I gave this talk in Doha, Qatar, a Qatari diplomat spoke about the 1991 MoU signed between Qatar and Iran to draw freshwater from the latter to the former (this was signed by the Crown Prince -- now Emir -- Sheik Khalifa bin Hamad Al Thani). He told us how he was part of the team that was to implement the initial agreement. But “external forces,” he said, prevented this regional initiative from being acted upon. Even Qatar, a close ally of the US, has begun to chaff at the bit of the hub and spokes system.

The Southern Silk Road is an important development in the creation of regionalism, linking South Asia to Central Asia, West Asia to China. No longer will these regions need to go through US and European-dominated routes to conduct their trade. The hub (US-Europe) and spokes (rest) approach to world affairs is being rendered anachronistic by these developments. As a result of the growth of regionalism, US primacy and its unipolar approach is being set aside.

The future is not tomorrow, or the next year. But it is upon us. A rational foreign policy for that future would seek to enhance regional ties in the present. Between two stools: yes. Not sprawled on the floor: yes. But moving from one stool (US primacy) to the other (multi-polar regionalism).

**The Issam Fares Institute for Public Policy and International Affairs (IFI)**

American University of Beirut | PO Box 11-0236, Riad El Solh 1107 2020, Beirut, Lebanon  
Tel: +961-1-374374, Ext: 4150 | Fax: +961-1-737627 | Email: [ifi@aub.edu.lb](mailto:ifi@aub.edu.lb) | Website: [www.aub.edu.lb/ifi](http://www.aub.edu.lb/ifi)

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