# Background

* Shared border till 1947. Common features in language, culture and traditions.
* Established diplomatic links in 1950
* Were not close during the Shah regime as it was US backed
* New phase of engagement after the Iranian revolution of 1979, though it still remained minimal
* Came closer after the fall of Soviet Union
* Iran’s relevance for India lies in its geographical location, size, hydrocarbon reserves
  + It can also provide an alternate route for trade and commerce with the Central Asian states

India’s new middle-eastern strategy is developing around the three states of - Iran, Saudi Arabia and Israel.

# Economic relations

* Tehran Declaration signed in 2001
* New Delhi Declaration in 2003
* Crude oil and natural gas
* Imported 22 mn tonnes of crude oil valued at about $10 bn in 2009-10
  + Third largest market for Iranian crude
* India exports refined oil to Iran
  + About 40 pc of refined oil consumer by Iran is imported from India
* Cooperation
  + IPI gas pipeline
  + Development of the Farsi oil and gas blocks
  + South Pars gas field and LNG project
  + Chabahar container terminal project
  + Chabahar-Faraj-Bam railway project
  + Zaranj Delaram highway being built with financial support from India
* Joint ventures
  + Irano-Hind Shipping Company
  + Madras Fertilizer Company
  + Chennai Refinery
* Indian companies such as Tata, Essar, OVL have presence in Iran
* India is also a member of the International North-South Corridor project
* In the process of finalising a Bilateral Investment Promotion & Protection Agreemnt (BIPPA) and a Double Taxation Avoidance Agreement (DTAA)
* India-Iran Joint Commission meeting
  + The forum to hold bilateral talks on economic and trade issues
* Hold Joint Business Council regularly

Energy

* Oil <mentioned above>
* India is the third largest buyer of Iranian oil
* Iran has the second largest reserves of natural gas
  + India had signed an agreement with Iran to purchase 5 mn tonnes of LNG per annum for 25 years from the 2nd half of 2009
  + This agreement could not be implement due to a dispute over prices
* OVL has successfully executed a contract to explore the Farsi oil block.
  + Was awarded the development of this block in 2008
* IPI Pipeline
  + India has not joined. There are many reasons for this.
  + A large part of the pipeline is through Pakistan which raises security concerns for India
  + Pricing is another issue
  + US has a major interest in killing the project

Culture and Education

* About 8000 Iranian students studying in India

# India’s Interests

* Energy Security
  + Iran important for India’s energy security.
* Iran has a high stake in West Asian politics and can influence it.
  + In Lebanon, Hizbollah government had come to power with support from Iran
* Other countries presence/India’s marginalisation
  + Pakistan has signed pipeline deal
  + China is also making its presence felt. It is now Iran’s largest trading partner and is undertaking massive investments in the country
  + India’s presence is shrinking
* Iran can play role in stability of Afghanistan

# India’s Concerns

* Iran has been insensitive to many issues of great concern to India
  + It has never supported India’s case in the OIC

# Impact of India US relations

* Ever since India and the US began to transform their ties by changing the global nuclear order in through the Indo-US nuclear deal, Iran has become the litmus test that India has occasionally been asked to pass to satisfy US policymakers
* Bush administration stated in 2006 that if India voted against the US motion against Iran at IAEA, Congress would likely not approve the Indo-US nuclear agreement
* India then voted to refer Iran to the UNSC
* The Hyde Act contained a ‘Statement of Policy’ which included riders designed to ensure India’s support for US policies regarding the Iranian nuclear issue

Are the ties weakening?

* 2005: India’s IAEA vote against Iran
* In Nov 2010 India abstained on a UN resolution critical of the human rights situation in Iran. It had hitherto supported Iran by voting against this resolution
* Khamenei made reference to Kashmir among the ‘nations’ that needed rescuing.

Iran is also a crucial partner for India’s energy security. We have an immense stake in a peaceful resolution of the complicated issues surrounding Iran’s nuclear question.

General facts about the relations

* Economic
  + Iran is India’s core energy partner – its second largest oil supplier

## Importance of the ties

* Energy security
* Geospatial importance of Iran
  + India needs Iran to physically access Afghanistan. It can do so from the Iranian port of Chabahar. Hence, for reasons of geography, Iran is central to India’s Afghan policy

## Bilateral Issues

Energy Payments Issue

* In December 2010, India directed its companies not to use Asian Clearing Union (ACU), headquartered in Tehran, for transactions with Iran.

Under the ACU mechanism, third countries find it difficult to trace transactions by companies because the settlements are made by the Central banks of the member countries.

* After this, India started using German bank, EIH, to make payments
* However, this system too broke down in May 2011 after the EU imposed sanctions on Iran

# Iran’s Nuclear Issue

**Iran's defiance of Security Council resolutions ordering it to suspend all enrichment of uranium has resulted in UN Security Council sanctions on Tehran.**

**Why has the Security Council ordered Iran to stop enrichment?**

Because the technology used to enrich uranium to the level needed for nuclear power can also be used to enrich it to the higher level needed for a nuclear explosion. There are fears that Iran is either secretly planning to make a nuclear device or is at least acquiring the know-how so that one day it has the option of doing so.

Iran hid an enrichment programme for 18 years, so the Security Council says that until Iran's peaceful intentions can be fully established, it should stop enrichment and other nuclear activities.

Under international law, an order from the Security Council is held to supersede rights granted by other international organisations. The council has ordered sanctions under Article 41 of the UN Charter which enables it to decide "what measures not involving the use of armed force are to be employed to give effect to its decisions". The Council has also called on Iran to ratify and implement an arrangement allowing more extensive inspections as a way of establishing confidence.

**How does Iran justify its refusal to obey the Security Council resolutions?**

Under the Nuclear Non-Proliferation Treaty (NPT), a signatory state has the right to enrich uranium to be used as fuel for civil nuclear power. Such states have to remain under inspection from the International Atomic Energy Agency (IAEA). Iran is under inspection, though not under the strictest rules allowed because it will not agree to them. Only those signatory states with nuclear weapons at the time of the treaty in 1968 are allowed to enrich to the higher level needed for a nuclear weapon.

Iran says it is simply doing what it is allowed to do under the treaty and intends to enrich only for power station fuel or other peaceful purposes. It says the UN resolutions are politically motivated. President Mahmoud Ahmadinejad has said: "The Iranian nation will not succumb to bullying, invasion and the violation of its rights."

**What does Iran say about developing nuclear weapons?**

It says it will not make a nuclear bomb. President Ahmadinejad said in 2009: "We don't need nuclear weapons... it's not a part of our programmes and plans." He told the UN in 2010 that nuclear weapons were "a fire against humanity".

Iran's Supreme Leader Ali Khamenei, who is reported to have issued a fatwa some time ago against nuclear weapons, has said: "We fundamentally reject nuclear weapons."

**How soon could Iran make a nuclear bomb?**

This would depend on Iran taking the decision to make a nuclear device and Iran says it will not do so. But experts believe that technically it could produce enough highly-enriched uranium for a bomb within a few months. A US general said in April 2010 that Iran could still take several years after that to make a device. The CIA chief Leon Panetta said in June 2010 that it could take two years. Israel's retired intelligence chief Meir Dagan has said it could take until 2015.

US Secretary of State Hillary Clinton said in January 2011 that sanctions had slowed down Iran's nuclear work. She also said that Iran had faced technical difficulties, possibly a reference to a computer virus said to have affected its centrifuge machinery. But in July 2011, Iran said it was installing new, faster centrifuges to speed progress in uranium enrichment. If successful, it could shorten the time needed to stockpile material which can have civilian as well as military purposes, if processed much further.

In theory Iran could leave the NPT with three months notice and it would then be free to do what it wanted. However, by doing that it would raise suspicions and leave itself open to attack. If, while remaining in the treaty, it enriched to nuclear weapons level or was found diverting material for a bomb in secret, it would lay itself open to the same risk.

**What sanctions has the UN imposed on Iran?**

The UN has imposed four sets of sanctions, in Security Council resolutions 1737, 1747, 1803 and 1929.

These seek to make it more difficult for Iran to acquire equipment, technology and finance to support its nuclear activities. They ban the sale to Iran of materiel and technology related to nuclear enrichment and heavy-water activities and ballistic missile development, restrict dealings with certain Iranian banks and individuals, stop the sale of major arms systems to Iran (Russia has cancelled the sale of an anti-aircraft missile system) and allow some inspections of air and sea cargoes.

However they do not stop the trade in oil and gas, the major source of Iran's income.

**What about additional sanctions by the US and EU?**

The US brought in restrictions on trade with Iran after the taking of American hostages in 1979, which it tightened in 1995, and in 2010 has additionally targeted Iranian finances, shipping and the Revolutionary Guard.

The US Congress has also passed legislation which would prevent those companies that do significant business in Iran's energy sector from trading in the US. This is aimed at squeezing Iran's oil and gas industry and especially the import of finished petroleum products.

In July 2010, the EU approved its own further measures which includes a ban on investment in Iran's petroleum and gas sector.

**What does the IAEA say about Iran?**

It confirms from its inspections that Iran is enriching uranium to the levels stated and says that Iran has not diverted any declared nuclear materiel to military use. Iran's nuclear facilities remain under IAEA monitoring and the IAEA produces regular reports. However it has reported that Iran is refusing to answers questions about allegations that it has in the past studied how to make a nuclear warhead. Iran says that the evidence on which these claims are based was forged.

In 2009, a secret IAEA document was reported to state that IAEA experts believe that Iran has "sufficient information" to make a nuclear device and had worked on a warhead that could be carried on a missile. In a statement, the agency said it had "no concrete proof that there is or has been a nuclear weapons programme in Iran."

In September 2009, the then IAEA chief Mohamed ElBaradei said in an interview: "I do not think based on what we see that Iran has an ongoing nuclear weapons programme." He has said that the threat of Iran developing a bomb has been "hyped".

**What are the chances of an attack on Iran?**

Chairman of the US Joint Chiefs of Staff Admiral Mullen has stressed the instability that would result from an attack on Iran, while acknowledging at the same time that the US has plans for all options. The US seems to be holding off in the hope that even if Iran continues to develop its nuclear expertise, it will not try to build a bomb.

The Israeli Prime Minister Benjamin Netanyahu constantly stresses what he sees as a potential existential threat from Iran. So the possibility of an attack, by Israel at least, remains.

Wikileaks revelations have shown that Gulf Arab states have urged the US to attack Iran.

**What happened to President Obama's offer of an "extended hand" to Iran?**

Western governments have offered a deal with Iran - it would have to suspend enrichment and in return would get many sanctions lifted and would be given help with a civil nuclear power system, including a guarantee of fuel. Talks on this stalled but President Obama tried to revive it in 2009 and said: "If countries like Iran are willing to unclench their fist, they will find an extended hand from us."

In September 2009, Iran replied with a five-page letter called "Co-operation for Peace, Justice and Progress". The letter offered talks on a range of international issues, including global nuclear disarmament, but does not mention Iran's own nuclear work. President Ahmadinejad had said earlier that discussion of the Iranian nuclear issue was "finished."

Further talks were held in Geneva on 6-7 December 2010 but were inconclusive.

**A US intelligence assessment was issued on Iran. What did it say?**

The National Intelligence Estimate in 2007 played down any early threat of an Iranian nuclear weapon. It assesses "with high confidence" that Iran did have a nuclear weapons programme until 2003, but this was discovered and Iran stopped it. The NIE added: "We do not know whether it currently intends to develop nuclear weapons."

However, Israel does not accept the conclusions and there is also doubt elsewhere. In March 2008, a senior British diplomat said: "Many of us were surprised by how emphatic the writers [of the NIE] were... " Even Director of US National Intelligence, Mike McConnell, appeared to backtrack and on 28 February 2008 said: "We remain concerned about Iran's intentions... Tehran at a minimum is keeping the option open to develop nuclear weapons."

**How does the nuclear plant at Bushehr fit in?**

This reactor was started in the 1970s under the Shah but then put on hold until recently when the Russians finished it. The Russians will provide the raw fuel and will take away the spent fuel which could potentially be used to make a plutonium-based nuclear bomb.

Bushehr is technically separate from the issue of enrichment. However, the US says that because Russia is providing the fuel, Iran does not need its own enrichment programme. Iran says that the reactor shows that it does have a civil nuclear power plan and that it needs to develop enrichment to serve this in the longer term.

**What about fuel for the Tehran research reactor?**

This issue concerns a small research reactor in Tehran making medical isotopes, installed by the Americans many years ago. This is running low on fuel which has previously been provided from abroad. The US, Russia and France proposed taking Iran's stock of low-enriched (3.5%) uranium out of the country and return it as higher-enriched (20%) fuel rods. The idea was to get the low-enriched stock abroad and prevent it from being potentially used for a nuclear device.

On 17 May 2010 it was announced in Tehran that, after talks with Turkey and Brazil, Iran had agreed to ship low-enriched uranium to Turkey. However, Iran also said it would continue to enrich other uranium to 20%. Western governments rejected the deal and said it did not solve the basic enrichment issue.

**What about Iran's secret enrichment plant at Qom?**

A new and previously secret enrichment plant being built underground near Qom was revealed in 2009. The IAEA said it should have been declared much earlier and is demanding that construction stop. Iran says it broke no rules - there is a dispute about its obligations to the IAEA - and states that it is constructing the plant - in a mountain - in order to safeguard its technology from an air attack. The IAEA has since inspected the plant and says that it will have room to house 3,000 centrifuges.

**Doesn't the Non-Aligned Movement support Iran?**

The NAM, representing 120 nations, issued a statement in July 2008 supporting Iran's right to develop peaceful nuclear power. Iran said this reflected international support for its position. The statement did not directly criticise UN sanctions against Iran, though it said that any issues should be dealt within the IAEA. It also appeared to accept that there are some problems remaining when it said: "Diplomacy and dialogue through peaceful means must continue to find a comprehensive and long-term solution to the Iranian nuclear issue."

**Don't existing nuclear powers have obligations to get rid of their weapons under the NPT?**

Article VI commits them to "pursue negotiations in good faith on effective measures relating to cessation of the nuclear arms race at an early date and to nuclear disarmament". The nuclear powers claim they have done this by reducing their warheads, but critics say they have not really moved towards nuclear disarmament. Critics also argue that the US and UK have broken the treaty by transferring nuclear technology from one to another. The US and UK say that this is not affected by the NPT.

**Doesn't Israel have a nuclear bomb?**

Yes. Israel, however, is not a party to the NPT, so is not obliged to report to it. Neither are India or Pakistan, both of which have developed nuclear weapons. North Korea has left the treaty and has announced that it has acquired a nuclear weapons capacity.

On 18 September 2009, the IAEA called on Israel to join the NPT and open its nuclear facilities to inspection. The resolution said that the IAEA "expresses concern about the Israeli nuclear capabilities, and calls upon Israel to accede to the NPT and place all its nuclear facilities under comprehensive IAEA safeguards... "

Israel refuses to join the NPT or allow inspections. It is reckoned to have up to 400 warheads but refuses to confirm or deny this.