


# Iran's Look East Strategy: Sino-Iran Rapprochement and the Indian Perspective

**Mohammadreza Majidi**

Ph.D of Department of Regional Studies, Faculty of Law and Political science, university of Tehran, Tehran, Iran.


[mmajidi@ut.ac.ir](mailto:mmajidi@ut.ac.ir)

 0000-0001-6801-9136

**Raj Deep Singh**

Ph.D student of Department of Regional Studies, Faculty of Law and Political Science, University of Tehran, Tehran, Iran (Corresponding author).

[rajdeepsm@gmail.com](mailto:rajdeepsm@gmail.com)

 0000-0003-1218-134X

## **Abstract**

In the wake of the US withdrawal of the Iran nuclear deal, or JCPOA, and the re-imposition of sanctions, Iranian policymakers came down gradually in favor of cooperation with the East, chief among them China, culminating in the signing of a 25-year Iran-China agreement and the adoption of Iran's Look East Strategy in 2021. Considering the changing flux in Iran's diplomacy toward regional cooperation and ever-increasing Sino-Iranian rapprochement, the main question of this contribution is about the effect of Sino-Iranian rapprochement on India, one of Iran's biggest Asian trading partners. The main hypothesis states that Sino-Iranian rapprochement has led India to expand the scope of its connectivity projects through Iran, throwing a spoke in the wheel of China's Belt and Road Initiative in South and Central Asia. Constructivist Institutionalism (CI), developed by Hay, was adopted as the theoretical framework. The methodology used for this research is based on qualitative methodology and discourse analysis to focus on Iran-India relations in the context of Iran's Look East strategy. Our findings indicate that Indian policymakers are following the Vasudhaiva Kutumbakam principle in their engagement with Iran, seeking to increase Iran-India ties in the face of Chinese competition with long-term strategic and security deals. As part of India's civilizational role in Central Asia and as a response to growing Chinese footprints in the region, India has undertaken certain concrete measures, such as the institutionalization of the India-Central Asia summit on a multi-lateral framework and the inclusion of Iran's Chabahar port in the International North-South Corridor. The research findings reveal that the corporation remains the weak link in the chain of the state-temple-corporate complex of the Hindu nationalist BJP in relation to Iran. India is also set to lock in cooperation with Iran through long-term strategic deals, institutionalizing security cooperation, and strengthening private sector participation in the Chabahar project.

**Keywords:** Chabahar port, Indian policy, Connectivity, Energy, Hindu Nationalism.

## **Introduction**

In emancipating itself from punitive sanctions re-imposed following the U.S. withdrawal from the Iran Nuclear Deal, known as JCPOA, Iran began enhancing its ties with the East. Though implying a geographical notion, under the newly elected Iranian president, Ebrahim Raisi, the East assumes wider semantics, encompassing the opposite camp to the perceived Western hegemony, including anti-American Venezuela and Nicaragua in the western hemisphere. Therefore, Iran's "Look East" strategy has elements of a continuation of Iran's anti-Americanism. In Iran's Look East Strategy, China has emerged as the preferred partner for Iran, considering the former's increasing global economic and diplomatic clout and its souring relations with the West. Under President Raisi, Iran successfully joined the Eurasian security alliance, known as the Shanghai Cooperation Organization (SCO), as well as the block of emerging market economies (BRICS). It goes without saying that China figures prominently in both groupings and sees itself as the natural leader. However, there is another dimension to the Sino-Iranian rapprochement, which involves examining the relations between India and Iran. Iran's ever-increasing ties with China will have a direct impact on India, Iran's close partner, which is heavily involved in the development of Chabahar port and the International North-South Corridor (INSTC). Besides, India's close ties with the West-its strategic ties with the U.S. as a bulwark against China in the Indo-Pacific region-have put India in an awkward position vis-à-vis Iran. In fact, in both the SCO and BRICS, Sino-Indian rivalry has intensified in the wake of the 2021 Sino-Indian border skirmishes, the deadliest in decades, and the consequent downward spiral of ties, to the extent to which there were rumors of India's opposition or at least a lukewarm reception of Iran joining the BRICS. This contribution seeks to assess the impact of Sino-Iran rapprochement on Indo-Iranian ties from an Indian perspective. In the continuation, the theoretical framework and the literature on the subject will be presented, and lastly, the Indo-Iranian relations in the context of Sino-Iran rapprochement will be analyzed.

### **1. Theoretical framework: Constructivist Institutionalism**

We will approach India-Iran relations under Iran's "Look East" strategy through the lens of constructivist institutionalism (CI) developed by Hay, where the institutions are supported by ideational foundations, affecting the way institutions are developed (Clift & McDaniel, 2021); institutions in their turn shape the

traditions and realm of ideas, and the interaction between the two is mutual and reinforcing. On the other hand, traditions are slow to change, while institutions are prone to change. This suggests a delay between changes in institutions and traditions, leading to a mix of both and differences between how institutions are planned and how they actually function in the real world, influenced by culture and traditions. (Guiso et al., 2016: 8). Hence, just as distinctive national traditions and cultures shape the formation of institutions, state actors' behavior is influenced by both institutions and the dynamic interaction between institutions and traditions. This understanding of the behavior of state actors, just as Barnett points out, informed by traditions and institutions, makes the cultural resources—the underlying norms, values, and symbols of society—part of the arsenal accessible to actors to push and enforce their policies (Michael, 2018: 62). In our contribution, we will consider the foundation of foreign policy under Narendra Modi and its Hindu self-conscious informed basis. To do so, we employ Nanda's "State-Temple-Corporate Complex" concept as a resulting hybridization of secular and neo-liberal reformed institutions under the force of Hindu traditions. Here, the flexibility and tolerance of Hinduism lend themselves to forming a power axis among the corporate elites, Hindu leaders, and the state in India. Therefore, India's response to the Iran-China rapprochement will be done by resorting to the core traditions and further hybridization of India-Iran institutions, most notably the one for cooperation in Chabahar and INSTC. The adopted methodology is qualitative, which was carried out through analyzing the official documents, discourses, and statistics on Iran and India relations.

## **2. Literature Review**

A vast body of academic literature has been available on Indo-Iran relations. Some of the academic research has been focused on India's role in the nonalignment movement and Soviet ties in opposition to Iran-American ties before the advent of the Islamic revolution. In the book "The Non-Aligned Movement: Genesis, Organization, and Politics," Jürgen Dinkel delves into the history of the Non-Aligned Movement since its inception as a special reaction of the Global South to changing global orders, and sheds light on breaks and continuities in the history of globalization, and analyses from the Global South perspective; India's role in the movement as well as Iran's reaction to it are further investigated (Dinkel, 2018). Furthermore, Iran-India ties have been examined in light of the

increasing U.S. bearing on India-Iran ties as India is gradually shifting toward the U.S. in the post-Cold War era. In the book "India-Iran relations: Progress, problems, and prospects," Ashwarya touches upon the cold-war era India-Iran relations and Soviet and U.S. influences thereupon, exemplified in the Baghdad Pact and the Pakistan issue, the non-aligned movement factor, Shah's dalliance with Islam, India's wars and Iran's response, and the initiation of economic ties in the 1960s; she also looks into the containment policy towards Iran after the Islamic revolution, enhanced by punitive sanctions over the Iran nuclear issue, and its effects on the India-Iran relations. She highlights India's balancing act, epitomized in exemptions obtained from the U.S. for India's connectivity project in Chabahar port (Ashwarya, 2017). In the article "The dynamism of Iran-India relations: 1979–2009," Tisheyar examines the India-Iran relationship in terms of energy cooperation, the gas pipeline prospect in particular, Iran's ties with Pakistan as a legacy of the Cold War era, and the strengthening of Indo-U.S. ties (Tisheyar, 2011). India-Iran ties are further analyzed in light of China's Belt and Road Initiative. In their article titled "Iran and India on the Silk Road: Challenges and Prospects of Economic Cooperation in the Belt and Road Initiative," Tisheyar and Noorafkan analyze how China's Belt and Road Initiative and Iran's desire to enhance its relations with China impact the bilateral ties between India and Iran. It concludes that Iran and India can expand and pursue their economic interests by cooperating in projects related to the BRI while deepening cooperation in both Chabahar port and the International North-South Transit Corridor (INSTC); they further emphasize the importance of elevating ties in terms of security cooperation, increasing economic integration, and establishing non-dollar payment mechanisms (Tisheyar & Noorafkan, 2021). In the article "Geopolitics of Ports: Factoring Iran in India's Counterbalancing Strategy for the 'Sino-Pak Axis'," Iran's role in India's foreign policy calculations vis-à-vis the Sino-Pak axis is assessed. The authors conclude that given China's CPEC and Gwadar strategies and its relations with Iran and Pakistan, India's increasing involvement in the Chabahar port and new momentum in Chabahar Port infrastructure development are paramount concerns for both when it comes to connectivity, and Iran's active response to India bespeaks some shared geopolitical and geostrategic interests (Singh & Singh, 2019). There is also a growing body of research focusing on increasingly strategic ties between India and U.S. as well as India's so-called "multi-

alignment." In the article "India's vision of world order: multi-alignment, exceptionalism, and peaceful co-existence," India's view of the world order and its role in it are explored. It is concluded that India pursues its own world-order policy where the interdependent future world order will be polycentric, with emerging world powers coming from different political systems, cultural traditions; hence, India pursues a policy of multi-alignment, seeking partnerships with all, while avoiding too close a relationship with particular countries or groupings (Wojczewski, 2017).

### **3. Indian Foreign Policy During the BJP Rule**

Since Narendra Modi came to power, India's foreign policy has drawn on Hindu conceptualizations of the world and politics. Three different but connected concepts seem to dominate India's framing of developments in its immediate and wider neighborhood: i) the Tri-Guna philosophy; ii) Vasudhaiva Kutumbakam. The concept originates from ancient Vedic Atharveda, where nature or matter is described using three types known as gunas: Sattva (representing white, knowledge, and happiness), Rajas (representing red, activity, and pain), and Tamas (representing dark, resistance or inertia, and confusion) (Rajpurohit & Satpathy, 2018: 3). The Gunas have the following features: 1) They act together and can never be found in isolation; the predominance of one guna determines the final type. Though countries, as likened to individuals, have a dynamic interaction of the three gunas, there is one predominant guna in each of them. Since India's immediate neighbors are directly linked to her, the Tri-Guna philosophy is mostly applied to them. While Pakistan remains a "tamasic" country, with terrorism and violence directed against India, China is increasingly seen as a "rajasic" country, i.e., having expansionist ambitions. In the aftermath of 2021's Galwan valley clashes between Indian and Chinese troops at the Himalayan border, India's Prime Minister speech at the place of the clashes was filled with references to the ancient Hindu Mahabharata battle (the sattvic Krishna and Arjuna's army against Rajasic Karna and his army) and the expansionist nature of Chinese engagement with India. In the words of Indian Prime Minister Modi, "the era of colonial expansion is over... the world is devoted to development and is welcoming the open competition for development" (full text: PM Modi, 2020). The wider neighborhood and beyond, however, are mostly conceptualized through Vasudhaiva Kutumbakam, i.e., literally, the whole world is one family. The philosophy of "Vasudhaiva Kutumbakam" aims for

world peace by embracing the entire world as one family, irrespective of caste, class, ethnicity, gender, and all kinds of divisive forces (Rajpurohit & Satpathy, 2018: 3). Therefore, India's relations with Iran and the Middle East in its neighborhood first policy and the subsequent "Act East" and "Link West" policies are governed mostly by the Vasudhaiva Kutumbakam principle.

#### **4. Iran's Look East Strategy**

With the adoption of Iran's Look East Strategy by the newly-elected Ebrahim Raisi government, however, Indian policymakers are increasingly wary of losing their hard-won gains in the region. Though Iran had signed the 25-year China Agreement under the previous regime of moderator Rouhani, the policy was seen as too much of a tilt toward the East and China, in particular by some factions of the population, and its implementation was under doubt. However, with President Raisi coming to power, the very first big foreign policy change was the clear pivot to the East, and China figures prominently in its success. Iranian policymakers saw China as a reliable development partner because China remained the biggest buyer of Iranian oil despite the sanction regime (Fan, 2022). Though Iran has remained interested in India's policy toward the development of Chabahar port and has sought to assure India that it is a reliable connectivity partner, there are now serious doubts looming large on the project as China is seen as much more influential in the region, considering the fanfare with which the implementation of the Iran-China 25-year China Agreement was celebrated and Iran officially became a part of the Chinese BRI. Among Iranian policymakers, there are some good reasons why they have chosen to have China as the preferred country in their Look East Strategy, ranging from access to technology to the economic and political weight of China to China's soft power and rivalry with the U.S. (Majidi et al., 2022: 34).

##### **4-1. Chabahar Port in India-Iran Relations**

India, under Narendra Modi, looks at Iran beyond the lens of geopolitics. In the ruling BJP party's manifesto 2014, it was highlighted that India, as the most ancient civilization of the world, has a much bigger role to play and that "Indian civilizational continuity with other civilizations" and parts of the world is stressed (EK Bharat Shreshtha, 2014: 1); such a civilizational frame to India's *raison d'être* and global mission makes Iran-India ties much more significant. Furthermore, Iran plays a significant role in

connecting India to Central Asia, which is considered India's extended neighborhood with traditional people-to-people and civilizational connections. Moreover, the Indian vision under Narendra Modi is not just limited to political diplomacy but also includes economic, scientific, cultural, political, and security interests. Considering the state-temple-corporate complex, Indian foreign policy actively seeks to highlight Indian cultural and religious contributions, whether through support for building Hindu temples in Bahrain or state visits with a religious dimension. The importance of both civilizational and cultural dimension can be observed in India-Iran relations through Modi's visiting the Sikh Gurdwara in Tehran as symbolic act with religious connotations during his official visit to Tehran in 2016 as well as commemorating "Chabahar Day" on 4 March 2021 on the margins of the Second Edition of the International Maritime Summit 2021; on the technical side, the Indian Ministry of Shipping offered 40% concessions on the coastal transport of cargo and vessel-related charges handled through Shahid Beheshti Port in Chabahar and it seems steps taken to strengthen infrastructure development have seen the fruits with significant increase in the number of operations handled through Chabahar port (Singh, 2021). In May 2016, the Indian government allocated \$500 million for developing Chabahar, which is only about 70 km from the Pakistani port of Gwadar, developed by Chinese investments under the Belt and Road Initiative (Wagner & Tripathi, 2018: 3). Despite India investing hundreds of millions of USD in the Chabahar port, progress has been slow due to Iran's nuclear-related sanctions regime. The ongoing U.S. sanctions regime makes it impossible for India's private sector to participate in Iran's energy and port development plans in Chabahar, a handicap especially since the promotion of corporate India in foreign acquisition of ports has become the centerpiece of Indian government policy with India's private investment in Haifa and Greek ports recently (Greek Media Reports Say, 2023). Therefore, the weak link in the state-temple-corporate complex in India's dealings with Iran is the corporate and private sections, negatively affecting Narendra Modi's policy toward Iran and Chabahar in particular.

Despite this, India, informed by both ideational aspects such as cultural affinity and civilizational links as well as practical ones such as connectivity and intelligence gathering, a tamasic country connected to terrorism, has continued its engagement in the Chabahar project and INSTC. Though a member of QUAD,

essentially a grouping to contain an aggressive China in the Indo-Pacific region with heavy U.S. involvement, India considers herself an emerging power in a "multi-polar world," thus shaping the global agenda in the 21st century is part of the civilizational mission of India, as it is read in the ruling BJP 2019 manifesto (Bharatiya Janata Party Sankalp, 2019: 38). India follows the Vasudhaiva Kutumbakam principle in her dealings with Iran and the U.S., setting its bilateral relations with Iran according to its broader ambitions as a world power. In fact, the BJP 2019 manifesto highlights that Vasudhaiva Kutumbakam serves as the basis for India's global cooperation, in particular with friendly countries and neighbors such as Iran (Bharatiya Janata Party Sankalp, 2019: 38).

Regarding connectivity, India regards Iran as the connecting bridge to Eurasia and Central Asia in particular. Besides the Chabahar project, INSTC, a project originally conceptualized between Iran, India, and Russia to shorten the trade route between India and Europe, has formed the second link between Iran and India. What is more, Chabahar, at a close distance from Pakistan's Gwadar port, provides an ideal platform to monitor and gather intelligence on Pakistan's military and naval positions in the restive Baluchistan province of Pakistan. India's positive contribution to the local Baloch people in the region through the Chabahar project would stand in contrast with the China-led CPEC on the other side of the border in Pakistan. India claims that CPEC in Pakistan's restive Baluchistan province has negatively impacted the local population's livelihood through i) deteriorating environmental issues, ii) a lack of promised economic benefits, and iii) local opposition to giving land to the project. In fact, there has been an upsurge of Baloch attacks on the Chinese engineers and Pakistani military in the region.

The multi-billion-dollar investments by China in different sectors, from the mineral industry to ports and the China-Pakistan Economic Corridor (CPEC), have accentuated the feeling that Chinese involvement is primarily of an exploitative nature. The local population perceived the copper and gold mining project by Chinese mining giants in Chagai District negatively (Jetly, 2021). From India's perspective, Pakistan has been securitizing the Baloch people as posing an existential threat to its sovereignty that needs to be dealt with, and the Pakistani military has sought Chinese cooperation (Jetly, 2021). While the Baloch problem is developmental in essence, and mainly related to poverty and unemployment in the region, Pakistan has made the Baloch problem

a security issue instead and has sought Chinese collaboration for security measures devised to take control of the region. On the other hand, India has been using cultural and civilizational links to the local population in order to frame its participation in the Chabahar port as developmental and "sattvic" in essence. Drawing from the state-temple-corporate complex, India has responded to the Chinese Belt and Road Initiative (BRI) in its immediate neighborhood by actively developing cultural links, investing in infrastructure, and establishing a corporate presence in the Chabahar port. This move positions Chabahar as a competitor to Pakistan's Gwadar port and directly connects India to its wider neighborhood in Central Asia.

India also views Iran as an influential actor in Afghanistan, especially among the Farsi-speaking and Shiite populations in Afghanistan. Therefore, India is actively seeking to cooperate with Iran in Central Asia in order to enhance its own role in its extended neighborhood; this has become more urgent considering the recent NATO-hastily and prematurely pulled-out withdrawal from Afghanistan and the Taliban returning to power as de facto Pakistan's proxy and product of its intelligence services' design to counter Indian interests in the region (Shustov, 2022). As one of the Indian experts in the Observer Research Foundation puts it, interest convergence over Pakistan, Afghanistan, and Central Asia has given a new strategic impetus to India-Iran relations, as evidenced by both New Delhi and Tehran's efforts to expand cooperation on the Chabahar Project under the "Afghanistan Reconstruction Initiative" (Singh, 2021); Afghanistan remains the mainstay in Iran-India relations. For India, the US's withdrawal creates many challenges, such as Pakistan's funding, training, and military support for the Taliban and Afghanistan becoming a refuge for home-grown militant groups such as Lashkar-e-Toiba and Jaish-e-Mohamed (Singh, 2021). . In fact, taking concrete steps on international forums against countries and organizations supporting terrorism is highlighted in the ruling BJP 2019 manifesto with the goal of establishing a "Comity of Nations against International Terrorism" (Bharatiya Janata Party Sankalp, 2019: 38). Given that both Iran and India have encountered shared security challenges originating from Pakistan and Afghanistan, it becomes increasingly probable that the Chabahar project will serve as a natural platform for cooperation in combating terrorism.

#### **4-2. China's Role in Iran's Infrastructure Development**

Competition in Iran's infrastructure development has been high

between India and China. Chabahar port is considered complementary to India's western ports, bringing about an infrastructure boom in sea terminals, railways, and roadways, while big Indian companies are well equipped to win contracts to build rail and road projects from Chabahar port to other parts of Central Asia (Kulkarni, 2020). In the second phase of the Chabahar project, India intended to build a 628-km rail link to Zahedan on the Afghanistan border, which would then be connected to Kabul via Zaranj and Delaram. However, after Iran's pivot to the East and its closer cooperation with China, things have changed for the worse for India. China is increasingly being prioritized in infrastructure projects; in fact, it is claimed by many Indian experts and advisers close to the government that a section of the 25-year strategic partnership deal with China states that Tehran will provide Chinese companies with the first preference to bid on any new, stalled, or uncompleted oil and gas field development and petrochemical projects that would endanger Indian investment in Iranian assets (Devendra, 2020).

India's tentative exclusion from the rail network project linking Chabahar port to Afghanistan became a heated debate in India. When Iran decided to start working on the Chabahar-Zahedan rail project on its own, technically dropping India from the project, an aide to former Prime Minister Atal Bihari Vajpaee opined that growing Iran-China ties and Chinese economic influence on Iran led to such exclusion (Kulkarni, 2020). The leader of the Congress Party and the opposition to Modi's BJP party also castigated Modi's government in terms of losing a wider geopolitical game to China when he reacted to India's exclusion from the Chabahar rail project by saying that "India's global strategy is in tatters. We are losing power and respect everywhere, and the government of India has no idea what to do" (Modi government's foreign policy, 2020). Making Chabahar a party to China's BRI would be a huge loss for India, as Chabahar's main point of attraction was to serve as a counterproject to the BRI (Singh, 2021). The complementary vs. competitive debate regarding Chabahar and Gwadar is an essential one for India.

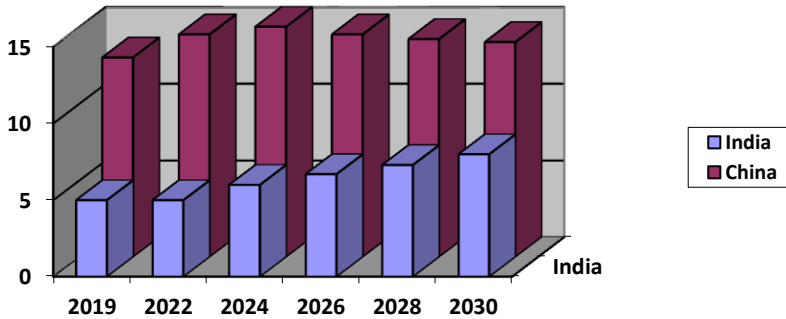
### **5. De-hyphenating Iran's Chabahar Port from Sanctions-Impacted Oil and Gas Sector**

The now abandoned but highly sought-after Iran-Pakistan-India gas pipeline (IPI) project could have been a game changer for New Delhi. Despite its initial enthusiasm, India left Iran in the cold after successfully negotiating with the USA to enter the nuclear group

while not being a party to the non-proliferation treaty under the former Indian prime minister, Manmohan Singh. Though the US's role in thwarting the IPI has been mostly highlighted, the Chinese position is important as well (Cohen et al., 2008). Such an ambitious project would have increased New Delhi's influence in Iran and the Persian Gulf by becoming a reliable and long-term buyer of Iranian gas, while Pakistan would be put into a long-term relationship with India, a loss for China. Therefore, the IPI project has been opposed by both the US administrations out of fear of Iran's new economic lifeline and by Chinese authorities because of the increasing Indian influence on both Pakistan and Iran (Verma, 2007). Things have changed since Iran joined the BRI under the new Look East strategy, as Iran has even floated the idea of an Iran-Pakistan-China (IPC) gas pipeline project, technically replacing India with China (Iran ready to export, 2019). However, Indian diplomats increasingly emphasize Iran's geostrategic location and connectivity role, leaving the energy opportunities in the dust. In fact, India managed to keep Iran's Chabahar Port project outside the purview of U.S. sanctions by arguing for its use in connectivity-only projects, carrying non-sanctioned goods to and from Afghanistan and Central Asia; technically, de-hyphenating sanctions hit the oil and gas sector from the Chabahar project. This is despite the fact that not only India was interested in the development of Chabahar port for connecting to Central Asia, but more so in setting up an LNG terminal at Chabahar port to import natural gas from Iran and investing in oil and gas as well as petrochemical and fertilizer projects; such expectations can be read in the oil minister's written reply to a question in Lok Sabha (India's Lower House) stating such energy projects "can be either in joint venture between Indian and Iranian public sector companies or with private sector partners" (India Vying for LNG, 2016).

Therefore, India's de-hyphenation politics have spilled over into Iran's energy and connectivity politics. De-hyphenation, a stratagem advocated by Indian diplomatic circles, means dealing with two countries in an independent manner, ignoring the complexities of their relations with each other (Tellis, 2008). De-hyphenating Iran's energy and connectivity role can be identified by the emphasis India's External Affairs Minister, Jaishankar, puts in his Chabahar Day address when he clarifies, "It was during Prime Minister Narendra Modi's visit to Iran in 2016 that a trilateral agreement to establish an international transport and transit corridor was signed by India, Iran, and Afghanistan... to ensure the unhindered flow of

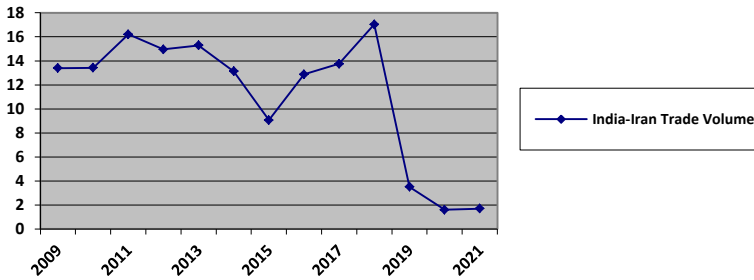
commerce throughout the region and to create a safe, secure, and reliable route to trade initially with Afghanistan and thereafter with Central Asia as a whole" (Address by External Affairs Minister, 2021: 2). Another explanation for such de-hyphenation of Chabahar's energy and connectivity dimensions can be found in the emphasis the government of India has put on neighboring countries through its "Neighborhood First" policy, where accelerating regional coordination in India's neighborhood is stressed. Therefore, we are witnessing a hybridization of an Indian mainstay policy of de-hyphenation and a newly found neighborhood-first policy in relations with Iran. Through such a scheme, India has been successful in continuing to cooperate with Iran on the Chabahar port while engaging with the U.S. to project her power to wider Asia and the Middle East. Having multiple links to the resource-rich Middle East is vital for India, as India's growth in oil and gas consumption is set to overtake that of China (see Figure 1).



Resource: (India set to surpass, 2023)

**Figure (1): Projection of China and India's Oil Demand up to 2030 (million barrels per day)**

To protect its energy security, India has diversified its portfolio of oil import destinations, including the Persian Gulf countries, Iran, and Iraq. Before the U.S. unilateral withdrawal from the Iran nuclear deal, Iran had consistently been a significant source of oil for India. In fact, India was the second-biggest consumer of Iranian oil in 2010 (Omidi & Noolkar-Oak, 2022: 26). While India tried to find ways to bypass the U.S. sanctions, such as the rupee-rial mechanism for trade and crude oil and the designation of Indian small banks not exposed to the U.S. market for trade, the trade between India and Iran has plummeted in the wake of the U.S. re-imposition of sanctions (see Figure 2).



Source: (India and Iran Trade, 2023)

**Figure (2): Total Trade between India and Iran: 2009-2021 (in US billion dollars)**

As Indian foreign policy perceives Iran and Central Asia through the lens of Vasudhaiva Kutumbakam, India is set to deepen relations with Iran as well as Central Asia. Considering India's vision for its place in the region, it has begun looking at undertaking concrete measures in its relations with Central Asian Republics (CARs) through Iran. Increasing India-CARs engagement was the basis for the institutionalization of the India-Central Asia summit, providing a multilateral instead of bilateral framework as well as deepening cooperation on Afghanistan (Bhattacharya, 2022). India considers Central Asia as its extended neighborhood, thereby trying to fill the vacuum left by Russia due to a protracted war in Ukraine. India has also included Chabahar Port in the INSTC so as to increase its engagement with CARs and Iran (India wants Chabahar Port, 2022). While still interested in having an IPI gas pipeline project with Iran, India is reviving interest in the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline project at the same time (Fazl-e-Haidar, 2023). By engaging CARs in the INSTC and Chabahar ports and floating the IPI and TAPI projects, India is deepening its footprint in Central Asia and Iran, providing incentives for Iran not to water down the Chabahar project by towing it to the BRI.

There are some emergent factors potentially insuring the speedier development of the project: the Russia-Ukraine war and Iran's joining the BRICS. In the aftermath of the Russia-Ukraine conflict, INSTC has gained momentum since it acts to bypass U.S. sanctions for both Iran and Russia. Iran's membership in BRICS could also facilitate financial transactions between New Delhi and Tehran thanks to the New Development Bank (NDB) and future plans on utilizing an alternative to the Belgium-based SWIFT

financial messaging service for transactions between member states (Azimi, 2023). Overall, India looks at the Chabahar port not as an isolating maritime and economic endeavor but rather as a geopolitical response to pressure from China and its BRI partner Pakistan. As the chief of the RSS, a Hindutva movement close to the ruling BJP party, Mohan Bhagwat stated, "Our western and northern borders are not so safe... Our soldiers have to remain awake, and we (citizens) also have to remain awake" (India progressing, but northern, 2023). Though without naming them directly, it was a reference to Pakistan and China; therefore, India perceives Iran's Look East Strategy through the lens of its rivalry with China and Pakistan and wants to ensure its own place through a long-term strategic deal.

### **5-1. Locking in Trade and Connectivity with Iran through Long-Term Strategic Deal**

India is further looking to make a long-term deal with Iran on the Chabahar port. Such a long-term strategic deal between India and Iran can tick the balance of power in the region into India's side through the following: 1) establishing a strategic partnership with Iran, including security cooperation; 2) closing the door for good to any China-linked project involving Chabahar; 2) developing the Chabahar Free Trade Zone and encouraging investments by Indian companies in the free zone; 3) negotiating for the Indo-Iran Bilateral Preferential Trade Agreement (PTA), in the absence of Iran in the WTO, so as to diversify trade portfolios by including sectors such as manufacturing, services, pharmaceuticals, and mutual investment promotion. In fact, India is doubling down on its efforts to convert Chabahar into a trade and investment hub for India and its businesses in the regions through the operationalization of the Free Trade Zone in Chabahar, which would be a boost to India's corporations and make them relevant in the state-temple-corporate complex, in particular the base support of corporate India. Furthermore, a strategic partnership would provide long-term Iran-India cooperation on the matter of terrorism, directly aimed at Pakistan. Besides, internationalization of the Indian Rupee through its financial transactions for trade with Iran has been facilitated by the launch of a system for the settlement, billing, and payment of exports and imports in Indian Rupees (INR) initiated by the Reserve Bank of India (RBI) (Bonesh, 2023).

## **6. India's Western Connection within the Concept of Vasudhaiva Kutumbakam**

Iran, under the Look East strategy, is building upon the successful Chinese mediation between Iran and China and the regional detente to put forth a regional forum and framework for cooperation between both sides of the Persian Gulf. While India welcomes such trust-building measures between Saudi Arabia and Iran, India is carving out its own role in the region, underpinned by the West Link initiative. Considering Indian interests and increasing trade in the region, India's Prime Minister Narendra Modi introduced the "Link West" initiative to improve ties with the area. Not only has India expanded ties with friendly countries in the region, but India has also sought cooperation with countries previously known to follow a pro-Pakistan foreign policy, such as Saudi Arabia. In addition to deepening security ties with Arab countries in the region through strategic partnerships, India is also increasingly forthcoming about its relations with Israel, leaving behind the pro-Palestinian tendency. While the attacks in India's financial capital, Mumbai, in 2008 and trade and technology cooperation have drawn the two closer, there is a clear factor of multi-alignment in the form of vasudhaiva kutumbakam in India's approach to the region. The significant Indian diaspora in the Persian Gulf region further supports these efforts. The emphasis of the ruling BJP on the Indian diaspora as an asset to further India's role in the region is distinguishable through mobilizing programs such as the Bharat Gaurav campaign in the BJP 2019 manifesto (Bharatiya Janata Party Sankalp, 2019: 38).

Moreover, India has been involved in putting together new institutions informed by the ruling BJP imagination of the India story as the major civilizational comeback and supported by Hindu nationalism and corporate India; a flexible and issue-specific mini-lateral framework instead of big and rigid multilateral agreements has been the prime choice of New Delhi in the region, such as the likes of I2U2 (India, Israel, the U.S., and the UAE) (Taneja, 2023). Through such mini-laterals, India will be able to engage in the wider region without committing to any hard alliance with the U.S. or any other country in the region. Besides, the informal nature of such mini-laterals will signal to Iran that India is still committed to its independent foreign policy and engagement with Iran at Chabahar port.

Cooperation with the U.S. also led to a breakthrough with the G20 announcement of the coming of age of the India-Middle East-Europe economic corridor (IMEC). The project is set to build a

railway and, later, digital and electric cables, as well as a clean hydrogen pipeline, from India to Europe via Jordan and Israel (Merchant, 2023). India, in its rivalry with China for the lack of hedging in the region, sees the IMEC as a formidable alternative to China's BRI for participating small regional states such as Jordan and the UAE. Through continuing engagement with Iran in Chabahar port, on the one hand, and a mini-lateral framework as well as maritime military cooperation with regional powers and closer India-U.S. ties, on the other, India is building on its civilizational narrative of the Vasudhaiva Kutumbakam principle. The latter is translated into tolerance toward apparently contradictory paths and relations.

Since small regional states, like the UAE and other states in the Persian Gulf, are deepening their ties with a constellation of powers in a bid to hedge the political risks of a limited relationship with any one of the powers, mini-laterals are flexible and informal mechanisms with manageable political costs while simultaneously strengthening their ability to navigate through great power competition (Saraswat, 2023).

Thus, India is playing its cards close to its chest, not showing a complete commitment to any power in the region. On the other hand, India is betting on, several factors that can play a spoiler in Iran-China relations, which include: 1) the US factor: Iran is expanding its relations with China due in part to U.S. sanctions, while Chinese companies are wary of getting caught in U.S.-Iran rivalry and slapped with sanctions; 2) limited progress in trade and economic relations between the two, which would be dwarfed in comparison with China-Arab states located in the southern shores of the Persian Gulf; 3) not favorable Iranian public opinion about China, reminiscent of Cold War understanding of communism and notions of "Godless" and "evil".

Indian policy-makers in fact count on such anti-China sentiments as fertile ground for Indian and Western discourses such as "debt trap" and Chinese "neo-imperialism" (Singh, 2023b: 19). Such reservations about the potential of Iran-China relations are further shared by some analysts in Iran as well with negative implications including: 1) Chinese cultural influence in Iran and possible new socio-political fragmentation in Iranian society along the line of previous anglophile and Russophile ones, with the inception of a "sinophile" interest-group in Iran; 2) asymmetric dependence thanks to an isolated Iran seeking closer ties with China and economic gap between the two; 3) creation of a new "China Town" in Iran and

Chinese "intra-group" solidarity norms; 4) Iran becoming a wild card in hands of China for balancing its relations with the U.S.; 5) Iran self-limiting herself in its military and political games in the region out of considerations for China and Sino-Arab ties (Mir Mohammadi, 2023: 12). In the wider region, the Sino-Iran partnership and its regional consequences, such as the recent China-brokered détente in relations between Tehran and Saudi Arabia, would, in India's view, only increase Tehran's dependence on Beijing in its conduct of foreign policy. This will lead to a narrowing of options for Tehran in its regional dealings, resulting in a drift away from its revolutionary principles and eventually loosening its grip around its proxies in the region (Devendra, 2020). Considering such internal resistance to an all-out alliance between Iran and China, India is expanding its ties in areas of low sensitivity, such as the connectivity project, as a means to gain influence in Iran and Central Asia.

### **Conclusion**

Given Iran's impetus for regional cooperation and the ongoing Sino-Iranian rapprochement, this contribution aims to explore the impact of the Sino-Iranian rapprochement on India, which stands as one of Iran's largest trade partners in Asia. The main hypothesis states that Sino-Iranian rapprochement has led India to expand the scope of its connectivity projects through Iran, throwing a spoke in the wheel of China's Belt and Road Initiative in South and Central Asia. The results indicate that Indian policymakers are seeking to de-hyphenate the energy cooperation with Iran from the connectivity projects. Furthermore, as a response to growing Chinese footprints in Iran and Central Asia, India has undertaken certain concrete measures, such as the institutionalization of the India-Central Asia summit in a multi-lateral framework, the inclusion of Iran's Chabahar port in the International North-South Corridor, and connectivity to Central Asia. Under the Modi leadership, civilizational and cultural links between Iran and India have come to the fore with symbolic acts such as commemorating Chabahar Day. Informed by the state-temple-corporate complex, India has responded to the Chinese Belt and Road Initiative (BRI) in its immediate neighborhood by developing cultural links, corporate engagement, and investments in infrastructure in Chabahar port as a competitor to Gwadar port in Pakistan. This development aims to connect India directly to its wider neighborhood in Central Asia.. In the spirit of neighborhood first policy and in view of Iran and India's

common security challenges emanating from Afghanistan and Pakistan, India is looking to lock in cooperation with Iran through a long-term strategic deal, opening up the possibility for security cooperation and aiming directly at Pakistan. India, in response to increasing Chinese engagement in the Persian Gulf, is carving out its own role in the region, namely the West Link, underpinned by the big Indian diaspora in the region, and the Vasudhaiva Kutumbakam principle, boosted by the cultural-corporate link. Furthermore, through a mini-lateral framework, maritime military cooperation with regional powers, and closer India-U.S. ties, on the one hand, and the development of the Chabahar project in Iran, on the other, India is building up on her civilizational narrative of Vasudhaiva Kutumbakam in the form of tolerance toward different apparently contradictory paths and relations.

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