

The rapidly changing international and regional environment and concomitant strategic imperatives have been the driving factors/forces in bringing Iran and India to reorient their foreign policy towards each other. While there is a convergence on the core values, concerns and interests, there are some misperceptions and differences as well. These obstacles and hindrances that restrict the forward movement of the age-old relationship between India and Iran cannot simply be wished away. This book projects Iranian and Indian perspectives on issues of mutual interests, and attempts to enhance understanding of the emerging international and regional security challenges and discuss options to address these challenges through mutual cooperation. The book draws attention towards the entire spectrum of the India-Iran relations covering cooperative endeavours in energy sector to common concerns in Afghanistan, Pakistan and developments in Central and West Asia. Crucial policy options are also provided by Indian and Iranian experts to take the relationship between India and Iran forward.

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INTERNATIONAL AND REGIONAL SECURITY DYNAMICS

Editor Meena Singh Roy

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INDIAN AND IRANIAN PERSPECTIVES

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Institute for Defence Studies and Analyses

International and Regional
Security Dynamics
Indian and Iranian Perspectives

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Institute for Defence Studies and Analyses
New Delhi

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Introduction

Meena Singh Roy

India and Iran have had a rich civilisational history going back several millennia. There have been many ups and downs in the trajectory of India-Iran relations. The rapidly shifting international environment and the concomitant strategic imperatives have been a major factor in forcing the two nations to reorient their foreign policies towards each other. In contemporary times, India has not only deepened this relationship but expanded it to cover wide-ranging political, economic and security aspects. On the one hand, giving adequate thrust to cooperation in Science and Technology and on the other, Information Technology as a niche area is further drawing the two sides closer.

The importance of Iran for India is broad and varied. Iran's relevance lies in its geostrategic position, energy resources and providing access to the Central Asian region. Importantly, it plays a pivotal role in a number of regional configurations in the Persian Gulf, in Afghanistan and the Caspian Basin and thus adds its significance for India. Since 1947, the Indian leadership has underlined the strategic importance of Iran for India. Even before India's independence, during the Anglo-Soviet invasion of Iran in 1941 to secure Iranian oil fields, Jawaharlal Nehru was supportive of the withdrawal of Russian forces from Iran.

Post independence, India developed closer ties with Egypt and tried to establish cordial relations with Iran. During the Shah's regime, while Iran was close to the US and part of the Western military alliance, India followed a non-aligned approach. During this period despite a number of high level visits, India-Iran relations never truly matured. Iran participated in the first Inter-Asia Relations Conference held in New Delhi on April 2, 1947. Later, the Shah of

Iran visited India in February 1956 and Nehru paid a return visit to Tehran in September 1959. However, the Iran-China-Pakistan alliance, Western hostility and Iran's proximity to the US and its aspiration to play an active role in the Gulf stymied India-Iran relations from growing beyond a point.

The developments at the regional and international level at that time propelled India to build closer relations with the Soviet Union. Iran was the first country that recognised the state of Pakistan and established diplomatic relations with it in May 1948. After the Islamic revolution in Iran, India's ties with Iran remained minimal. Iran's preoccupation with the war in Iraq (1980-88) and its Islamic revolutionary zeal led to strained ties between the two countries.

After the death of Ayatollah Khomeini in 1989, the 1990-91 Kuwait crisis, the Soviet withdrawal from Afghanistan, the disintegration of the Soviet Union leading to the end of Cold War and identical security threat perceptions brought about a phase of renewed engagement with a number of high level visits by both the sides. The changed security paradigm compelled Iran to enhance its ties with India. Prime Minister P.V. Narasimha Rao's visit to Tehran in 1993 was a turning point in improving ties between India and Iran. Relations between the two were further strengthened during Prime Minister Vajpayee's visit to Iran in April 2001. During this visit the 'Tehran Declaration' and several important economic and trade cooperation agreements were signed. In his meeting with Prime Minister Vajpayee, President Khatami repeatedly mentioned about the need for "special relationship" with "strategic links" which would not only meet interests of both the states but would also help bring peace and stability to the region. These statements were indicative of Iran placing India in its strategic priority.

The strategic cooperation between India and Iran got a further fillip during President Seyyed Mohammad Khatami's visit in January 2003 and culminated in the signing of the 'New Delhi Declaration'. Thus a new chapter in strategic engagement between two important regional powers was being framed. In the Delhi Declaration, both

sides affirmed that “their growing strategic convergence needs to be underpinned with a strong economic relationship, including greater trade and investment flows.” The declaration noted the urgency of “enabling legislations to promote vigorous trade and economic exchanges” as “primary requirements to promote business confidence between the entrepreneurs of the two countries”. The initiative of enhancing cooperation in economic, energy, political and security arena was taken up during subsequent high-level visits by both sides.

A string of visits in the recent past with Indian Foreign Secretary, Shiv Shankar Menon’s visit to Tehran in December 2007, President Ahmadinejad’s coming to Delhi in April 2008 and External Affairs Minister Pranab Mukherjee’s visit to Tehran in November 2008 have given a set of directions to Indo-Iran ties. Given India’s interest in deepening ties with Iran, future relationship is likely to prove of great significance and value.

Iran’s role in the global energy market is of importance for India. Iran is India’s fifth largest supplier of oil. Both the countries stand to gain by increasing cooperation, especially in the area of energy. There is an ongoing cooperation between the National Security Councils of the two countries. Both countries remain committed to multilateral negotiations on nuclear disarmament under effective international control. India has recognised the inalienable national right of Iran to develop its own peaceful nuclear programme.

Iran is seen as a positive contributor towards future stability and security of the region. Iran’s role in Persian Gulf Security is undeniable. West Asia is India’s extended strategic neighbourhood. It is not only the source of majority of India’s energy supplies but also home to a vast expatriate population. The region is currently in a state of flux. Iraq is far from being stabilised and there are questions raised by both Iran and India over the continued American military presence there. The Israel-Palestinian peace process still has a lot of ground to cover before a mutually-acceptable solution is agreed upon. The increasing Talibanisation of Pakistan and Afghanistan

are of serious concern to regional security. Both India and Iran have contributed in the past (the Bonn process) in bringing stability to Afghanistan. The trilateral agreement between India, Iran and Afghanistan to develop the Chahbahar route through Melak, Zaranj and Delaram will facilitate regional trade and transit, including to Afghanistan and Central Asia, contributing thus to enhanced regional economic prosperity. The developments in the Eurasian region too draw considerable attention both from New Delhi and Tehran.

The growing strategic convergence has been complemented by increasing economic relationship. Trade has increased between the two countries over the last six years. In 2006-07, the total trade between the two countries was \$9,071.52 million, up from \$1,184.93 million in 2003-04. In 2007-2008 the total volume of trade increased upto \$12896.72 million. However, it is much below the economic potential of the two countries. In April 2008, both President Ahmadinejad and Prime Minister Manmohan Singh agreed that they will try to triple the trade (target of \$30 billion) between the two countries.

After 2005, the nuclear issue has been a controversial subject impacting India-Iran relations. India's vote against Iran in the IAEA governing board in September 2005 and subsequently, in February and March 2006, to refer Iran to the UN Security Council for violating its obligations under the NPT has affected the growing ties between the two. India's strategic relations with the US and increasing defence cooperation with Israel have likewise generated concerns in Iran about India's changing foreign policy. Iran perceives that India's new equations with these countries are at the cost of its old friendship with Iran. It is argued that the direction of India's foreign policy has changed significantly from what was enunciated by Nehru and its support for the Palestine cause. It's also often expressed in various quarters that there has been a qualitative change in India's foreign policy approach that is impacting negatively not only on India-Iran relations but also relations with other Islamic countries. What

concerns Iran most is the US pressure on India especially, with regard to Iran's nuclear policies.

On the issue surrounding Iran's nuclear programme, External Affairs Minister Pranab Mukherjee, clearly explained India's position during his visit to Iran in February 2007. He said, "We believe that the Iranian nuclear issue should be resolved peacefully and through dialogue and negotiation. The IAEA should play a central role in resolving the outstanding issues". In April 2008, at a joint news conference at the end of the ninth India-EU Summit, Prime Minister Manmohan Singh said that "Iran is a signatory to the NPT and as a signatory it is entitled to all that is needed to develop civil nuclear energy programme. And it must also undertake all the obligations that go with it". Despite New Delhi's repeated explanations, this issue remains a major irritant between India and Iran.

It is against this background of growing misunderstanding and lack of communication between the two countries that the Institute for Defence Studies and Analyses attempted to bridge the gap between the two countries by organising the fifth Bilateral Dialogue on April 24-25, 2009 between the Institute for Defence Studies and Analyses (IDSA), New Delhi and Institute for Political and International Studies (IPIS), Tehran. This volume is the outcome of the Dialogue. As part of its ongoing efforts to engage other think-tanks in Asia and beyond and to bring together experts on security issues of mutual interest, IDSA and IPIS have held four rounds of the *Track II India-Iran Dialogue* (1998, 2000, 2001 and 2003).

The aim of this book is to project Iranian and Indian perspectives on issues of mutual interests, enhance understanding of the emerging international and regional security challenges and discuss options to address these challenges through mutual cooperation.

The two-day Dialogue was divided into five sessions and covered important issues on the international security environment, and regional security trends with the focus on Afghanistan, Pakistan, West Asia and Central Asia. It deliberated upon Iran's role in the

global energy market and prospects for India-Iran cooperation in the field of energy. The scope and prospects of bilateral relations were taken up at great length during the deliberations.

The keynote speaker C.R. Gharekhan noted that for India, Iran has been and continues to remain a part of its extended neighbourhood, being a big neighbour, it can be a great help and support for India. He argued that the 'mutuality of interests' is important in the context of the international relationship. According to him, oil and gas are not the only drivers of the Iran-India relationships. The relationship, indeed, predated the discovery of oil and gas in Iran. Therefore, it would continue even without oil and gas. India has other interests in Iran too. This is about increasing economic and commercial relations which are in genuine mutual interest of all the parties.

Highlighting the strengths of Iran, he pointed out that Iranians are the most sophisticated people in the world. Nobody can give lessons to them on conducting their international relationships. Iran is an important player in Iraq. There could be no stability in Iraq without the involvement of Iran. Similarly in West Asia, Lebanon and Palestine, Iran is an actor to reckon with. Articulating his views on the situation in Iraq, he said that the Shia-Sunni divide has been accentuated by the events following the US intervention in Iraq in 2003. Whether one calls the situation in Iraq by its proper description as a civil war or not, the sectarian divide in that unfortunate country is there to stay for a long time. India, with the second largest Muslim population in the world, having a significant proportion of Shias, is understandably concerned. He concluded by stating that in today's globalised world, nation-states have to depend on each other. Iran's relationships with its neighbours can be a lesson for India.

This volume has five sections, viz., International Security Environment, Trends in Regional Security and Implications-- Developments in Afghanistan and Pakistan; Trends in Regional Security and Implications-- Developments in West Asia and Central Asia; Energy Security and Bilateral Relations-- Scope and Prospects.

International Security Environment

This section has two essays providing insight into the worsening international security environment and ways to overcome the new security challenges faced by the international community.

Director-General, IDSA, N.S. Sisodia argues that some of the most complex and daunting challenges that the world faces today are transnational in nature and cooperative efforts and dialogue are the only way forward to addressing these challenges effectively. The first part of his paper highlights certain major issues/trends/characteristics of the current security environment, which are a reason both for concern and hope. The paper focuses on the geopolitical situation in the neighbourhoods of Iran and India and analyses the role of different stakeholders in a fast-changing world. The paper concludes by calling for deeper engagement, sustained dialogue, and accommodation to resolve or at least find common ground on these pressing challenges.

Dr. S.R. Mousavi stresses that in spite of all the advancements in democracy, human rights and administration of law, the world today is placed in an unsafe state of affairs with regard to the security environment. Documents like "US National Security Strategy in 2006", "Russia's National Security Document", European Security Strategy", Chinese, NATO policy papers reveal that basic threats to the international system are terrorism, Weapons of Mass Destruction (WMD), extremism and organised crime. In addition, issues like regional conflicts, climate change is second in line of threats to international security. However, without an appropriate international definition of terrorism, it is difficult to address this issue. Terrorism is a threat, but declared terrorism is a reality. Behind this declared terrorism is the politics of arms proliferation. In fact, the trend of vertical and horizontal proliferation is the major challenge to international security. Whereas France, US, UK, Russia are examples of vertical proliferation, countries like North Korea, Israel, India and Pakistan contribute to horizontal proliferation. The world today is witnessing a multi-polar Cold War

Trends in Regional Security and Implications - I

The section on trends in regional security and its implications highlights the major security concerns and developments in Pakistan and Afghanistan. The challenges coming from Afghanistan and Pakistan have serious implications for India and Iran. Two Indians and one Iranian have articulated their views on the current situation in Afghanistan and Pakistan.

Dr. Ashok K Behuria argues that the collapse of the Pakistani state will only bring the Taliban closer to Indian frontiers. If Pakistan divides into four or five states that could complicate India's security concerns. One will not expect a wounded Punjab to roll back its Kashmir jihad. According to him, it is also too early to expect that other states, Balochistan, Sindh and Pakhtunkhwa included, will shed their hate-India reflex so easily. He argues that a splintered Pakistan may pose a complex challenge for India in future. In order to have a friendly and moderate Pakistan, India has no option but to engage it despite its weaknesses and anti-India biases.

Vishal Chandra provides a detailed perspective about the idea and politics of reconciliation with the moderate Taliban in Afghanistan and whether this will contribute to resolving or perpetuating the Afghan conflict and the instability in the wider Af-Pak region. He argues that though the US does not have many options at the moment, the idea of reconciliation with the Taliban in its present form will certainly not yield the desired results, even in the short-term. It is Pakistan's politics of evasion, aversion and diversion from the core issue of fighting religious extremism and terrorism that threatens to destabilise the entire South-Central Asian region. Ironically, the war on terror remains ideologically contested and physically constrained by the ambivalence of the US' own allies. In the given circumstances, any attempt to reconcile with the Taliban will prove counter-productive. It will further strengthen the position of Taliban in general and the pro-Taliban elements within the Pakistani establishment in particular.

Dr. Ziba Farzinnia from the IPIS presents a detailed analysis of the problems of terrorism and insurgency coupled with a pervasive drug economy, which have placed a formidable combination of challenges for the political and economic reconstruction of Afghanistan and Pakistan. She argues that Afghanistan and Pakistan are linked. There can be no successful outcome for Afghanistan, if Pakistan is not seen as part of the solution. Her study focuses on the main problems in Pakistan and Afghanistan, and addresses questions like: What are the key challenges and developments in Afghanistan and Pakistan, and how should one deal with them? And, what are the common interests of Iran and India towards Afghanistan and Pakistan? She concludes by stating that constructive ties between Afghanistan and Pakistan and other countries, particularly Iran and India, should be predicated on mutual respect, honouring territorial integrity and non-interference in each other's internal affairs. Developed and democratic Afghanistan and Pakistan will not only guarantee the interests of those countries but will also have a great impact on regional security, political and economic developments.

Trends in Regional Security and Implications – II

Emerging security challenges in West Asia and Central Asia are covered in this section. Prof. Gulshan Dietl provides detailed insight into the insecurity dynamics in and from West Asia, in the both the Cold War and post-Cold War context. She argues that the Cold War did not have the same salience in West Asia as it had in the rest of the world. In West Asia, there were no eyeball-to-eyeball confrontations or proxy wars. Next to West Europe, West Asia became the second-most important theatre where the US energy and attention was focused. It has continued to remain so to date.

She argues that West Asia is one of the most insecure regions in the world. In fact, it will not be exaggeration to describe it as the most insecure region in itself and a source of insecurity for the world at large. Additionally, the supra-state ideologies of Arabism and Islamism as also the sub-state sectarian and ethnic affiliations render it vulnerable. The processes within the state are defined by non-

participatory politics, rentier economy, youth-bulge demography, patriarchal social order and sectarian/ethnic strife. Between and among states, disputes flare up every once in a while. It is an insecure region. Today, there are far too many points at which an orderly process of change may snap. And when that happens, there can be a chain reaction from the micro to the macro level and vice versa. According to her an extensive US military presence in the region and its control of the oil trade and oil economy globally are persistent causes of the region's grievances.

Dr. Meena Singh Roy analyses the new security challenges in Central Asia and evaluates the effectiveness of the Shanghai Cooperation Organisation in addressing these challenges. She argues that in addition to traditional security risks, Central Asia is exposed to a completely new set of challenges in the changed security paradigm. In all five republics there is a very slow process of economic and political reforms. This has resulted in a buildup of many unsolved problems. More importantly, power remains resolutely in the hands of a few. The problem of corruption is compounded by the illegal narcotics trade. The other security concerns have been mainly the threat of religious extremism, WMD threat and small arms proliferations, ethnic issues, management of water resources and environmental problems.

Evaluating the role of SCO she explains that the SCO has assumed a new geopolitical role in the Central Asian region and its influence is likely to increase in future. However, the relevance and viability of the SCO as a multilateral body would depend on how it evolves in the next ten years. Will it be a security organisation or a regional economic forum? Will it be an anti-terrorism coalition or a military alliance? Will it become a centre point for a new great game? Or, will it expand into a multilateral forum addressing both security and economic challenges in Central Asia? These are some of the critical questions, which would set the future course for the SCO.

Energy Security

Dr. Ali Biniiaz from IPIS draws attention to the need for cooperation on the much debated Iran-Pakistan-India (IPI) pipeline. He argues

that it can not only provide genuine contributions to the economic development and integration of the Southwest Asia, but also beyond that; it can prepare the grounds for further regional cultural ties and civilisation interactions with worldwide implication at large. The paper emphasises on the instrumentality of this project for potentially going beyond its earlier envisioned contribution through offering a viable solution to “the regional nuclear imbalances”, establishing a “regional gas grid system” and boosting a new “ethic-oriented civilisation” with “humbleness” and “honesty” at its centre. This way, there would be a chance to offer jointly moral good to the West and spread peace, stability and prosperity throughout the region as well as in the world.

The paper attempts to find answers to some critical question related to the IPI pipeline. These are mainly: why Iran has decided to export its natural gas in the first place and especially when it is a big gas consumer at home? Why Iran has decided to export natural gas to the Asian markets and ignore its market opportunities elsewhere, in particular Europe? Is the capacity offered by the IPI pipeline consistent with the medium to the long run energy requirements of India? Regarding Pakistan as a country on the route, what real challenges does this project face and what opportunities does it offer? How will this project’s success impact on our imagination of the region’s future? In particular, is there any link to be conceived between this pipeline project and the promotion of a new mode of social life and civilisation in future?

Shebonti Ray Dadwal highlights various contours of India-Iran energy relations providing insight into challenges and prospects for cooperation between the two countries. She argues that while there is no doubt in the enormous potential for expanding and strengthening bilateral energy relations, and this can be further expanded to encompass regional energy cooperation, both countries have to go beyond the rhetoric. It is in the interests of both India and Iran to move forward in resolving pending issues and problems, and implement the various energy deals that are in the pipeline, not only for their own energy security but for their larger regional and

even global interests as well. Iran-India energy trade can be a crucial component of a larger pan-Asian energy grid, comprising not only of oil and gas but power as well, as this has the potential to create mutual dependencies and allow all countries involved to have a stake in one another's political and economic stability, with the goal of facilitating regional integration.

The paper points out that for too long has the debate on energy security been defined through the prism of Western interests. It is now time for the Asian countries, which are emerging as important global energy players, to build the necessary synergies which will allow them to have greater leverage in energy issues. Without more cooperation among the Asian actors, crucial issues such as the creation of a holistic Asian energy market and emergency preparedness, that is strategically placed to address energy security issues of this part of the world, will not be possible. It is in this that India and Iran have and can play a major role.

Bilateral Cooperation – Scope and Prospects

The scope and prospects of bilateral cooperation between India and Iran are discussed by Ishrat Aziz. He examines Indo-Iran relations placing Iran in the context of the regional security dynamics of West Asia. A section of his study covers detailed analysis of historical ties between India and Iran. He argues that currently, attention is focussed on two issues – the Iranian nuclear programme and the Iran-Pakistan-India pipeline. On both issues, the US has taken stands that are dictated by what it perceives to be self-interest rather than the merits of the case. Therefore, both Iran and India need to understand each other's sensitivities and constraints on these two issues with a positive mind, patience and tact. On both issues, India must take positions based on self-interest and self-confidence reflective of a nation that must play an increasingly significant and independent role in the complex world of international relations and conflicting interests.

The concluding chapter by Dr. Arvind Gupta deals with the perceptions shared by Indian and Iranian participants

recommending the way ahead for India-Iran relations. Some concrete suggestions came up during discussion for taking Indo-Iran relations forward. It was pointed out that the IDSA and IPIS are well poised to start a regular Strategic Dialogue amongst themselves in which future scenarios can be worked out by the two sides. It will also be useful for the two governments to set up a joint Eminent Persons' Group who can meet regularly. The Group can discuss and propose workable ideas for the consideration of the two governments.

The Iranian participants at the Dialogue were all for closer Indian-Iranian ties. They were in favour of an India-Iran Joint Steering Committee to oversee the bilateral relationship. They pointed out that a number of prominent Iranian leaders, including the Foreign Minister and their current Ambassador in India, had studied in India. India should take advantage of the pro-India leanings of the Iranian leaders. The Iranian delegation suggested the setting up of a Joint Chamber of Commerce, establishing of contacts between the Iranian provinces and Indian States, joint ventures in engineering and energy sectors, closer ties between the banks and greater contacts between parliamentarians.

The compilation of this volume would not have been possible without the cooperation, support and encouragement of colleagues and administrative staff of the IDSA. I would like to thank Mr N.S. Sisodia, Director-General, IDSA for his wholehearted support, encouragement and guidance during the Bilateral Dialogue and while completing the proceedings of the Dialogue. I take this opportunity to thank Dr. Thomas Mathew, Dr. Arvind Gupta, Prof. P.Stobdan, Ruchita Beri and Dr. Mahtab Alam Rizvi for their cooperation in organising the two-day Dialogue which has led to the publication of this volume. I would like to thank all Indian and Iranian experts for their valuable contributions. Special thanks are due to Dr. S.R. Mousavi, Dr. Ziba Farzinnia and Dr. Ali Biniiaz for cooperating and sending their revised papers in time despite their busy schedule. I would also like to extend my thanks to Mr. Manouchehr Sobhani, Counsellor, Embassy of Islamic Republic of Iran, and New Delhi who was always forthcoming in coordinating

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The views expressed in this book are those of the authors in their individual capacities.

India's Relations with Iran

*C.R. Gharekhan**

India's relations with Iran as a neighbour are very important. In fact, relations with all our neighbours are important for us. Iran is a big and influential country, but it will be a mistake to take even small neighbours for granted, because sometimes a small neighbour can give you a big headache and the big neighbour, which Iran is, can give us big help and big support. One has also to keep in mind that relations between two countries, if they are to be lasting, have to be based on reciprocity of interests, on mutuality of interests. Both countries have to have a stake in relations with each other, relationships cannot be one-sided. So, if we are only going to benefit from our relations with some country and if that country has really no particular stake or if they think that we have nothing to bring to the table for them, then we can not expect them to sustain their interest in our country. So, the concept of mutuality of interests is paramount in international relations.

Now, oil or energy is not the most important aspect of our relationship with Iran. Our relationship pre-dates discovery of oil by hundreds of years and if oil gets exhausted, as it will one day, hopefully not in my lifetime, even then our relationship with Iran will continue to be important. Energy will remain an important factor in our bilateral relationships, but one should not give an exaggerated importance to the energy factor.

There is unanimity among most West Asian countries about the importance that Iran has come to acquire in the affairs of the region. Iran has always been an important part of West Asia. The Shah of

* Adapted from the Keynote Address delivered on April 24, 2008 .

Iran was also very keen to play a leading role in the affairs of the region and it is understandable that the present government of Islamic Republic of Iran will also want to play an important role. Nobody should have any quarrel with that and India certainly has no problem if Iran asserts itself in the region. But it is true that over the past five years, the greatest benefactors of Iran have been the United States. Thanks to what the Americans have done in that region. Iran is now definitely a major player there.

In Iraq, there can be no solution to the mess without Iran being on board of any proposed solution. Similarly, in other parts of West Asia, whether it is the crisis in Lebanon or the situation in Palestine, Iran is now a factor to reckon with. All this is the gift to Iran of not only the United States but also America's close allies in the region; surely these benefactors of Iran must have realised the consequences of their actions, like their opposition to Hamas' victory in the elections to the Palestinian Legislative Council over two years ago, which were free and fair by all accounts. To India, it is unacceptable that the result of free and fair elections should be unacceptable to any one. The US action of saying that it would have no dealing with that government and attempts to persuade the international community to agree with that line were not only not helpful for Iran, but were counter-productive for them and even for Israel itself. One reason for that it is precisely this outlawing of that government that has given Iran an opportunity, a foothold, on the Palestinian issue, which has over the decades been really intra-Palestinian or Palestinian-Israeli or so-called international community issue and one in which Iran had not been intimately involved. But, now Iran is a factor there also.

The same analysis applies to the situation in Lebanon, which is quite critical. The Arab governments and the Arab League are battling there for a possible solution, a three-point package solution. So there again, Iran has gained considerable influence.

Saudi Arabia is another country, the custodian of the two Holy Mosques and neighbour of Iran, whose links with Iran continue to

give conflicting signals. When President Mahmoud Ahmedinejad went to Saudi Arabia on a Haj pilgrimage, he was also received as a special guest at the GCC meeting, with the world taking note of how the King of Saudi Arabia and the Iranian President walked hand-in-hand. This symbolism is extremely important everywhere in the world, but especially in that part of the world. So what does it all mean? Does it mean that Iran and Saudi Arabia have come to terms with each other?

There is one other issue which is of concern to India. This is the situation of tension between the Shias and the Sunnis. As many observers have noted that following the March 2003 US-led intervention in Iraq, this particular phenomenon has acquired a very deep significance. At least one neighbour of Iran has a Shia majority while other neighbours have significant Shia minorities. Saudi Arabia itself has a Shia minority, mainly concentrated in the eastern part where all the oil is to be found. In today's globalised world, no country or part of any country can remain immune from what is happening in other parts of the world. And again, thanks to to US interventions, this whole phenomenon of Islam, or Islam under danger, Islam being a threat to others, all these interwoven concepts and situations have acquired enormous significance.

Another area where India can learn from the experiences of Iran is in relations with one's smaller neighbours. It is normally the responsibility of a big neighbour in a region to reassure its smaller neighbours, and this is what India has been trying to do for the last 60 odd years with varying degrees of success. But it is always a big challenge to any big country to reassure its neighbours about its intentions or attitudes towards the smaller neighbours. It is a very difficult exercise for a big country because if one is too generous it can be taken as a sign of weakness and if one takes a tough attitude, one is regarded as a bully. So to strike a compromise is a very fine line to walk.

Today, the smaller neighbours of Iran are not scared of Iran just because of its nuclear programme. In fact, their concerns about Iran

are irrespective of the nuclear weapons programme. They also voice fears about the disastrous implications that any attack on Iran will have on the region and the world. In such a scenario, it will be interesting to learn from Iran about its experience and what it is doing to reassure its neighbours about its intentions towards them.

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Part I

International Security Environment

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Global Insecurity

Seyed Rasoul Mousavi

Studying the documents of *"United States of America's Security Strategy in the year 2007"*, *"National Security Documents of Russia"*, *"Doctrine of Russian Military 2002"*, *"Security Strategy of European Union"*, *"Peaceful Strategic Reconciliation of China"* and *"NATO's New Strategies"* brings us to the conclusion that all nation powers (USA, Russia, China) and multi-national powers (European Union, NATO) perceive the major international military threats to be terrorism, mass destruction and organised crimes. Besides these primary threats, other issues such as regional conflicts, expansion of poverty and climate changes also pose threat to international peace and security.

All the powerful countries have a common front on the issue of terrorism and expansion of weapons and have defined peaceful strategies to tackle the same. Agreements on world strategic peace and security have meanwhile been put on hold in the name of combating terrorism. In the name of the war against terrorism, new nuclear weapons have achieved prime place in world politics and enrichment in civil nuclear reactors has been termed as nuclear weapons. Official observers have referred to it as anti-military movement but for civil purposes. In the modern age, intercontinental ballistic missiles are being manufactured which promotes military rivalries. Modern submarine atomic weapons and naval facilities are on move and submarine missiles are constantly being launched. Weaker countries are facing air attacks and hundreds of children and women are being killed by bombs, all in the name of fighting terrorism. Indeed, how does a world in pursuit of security actually describe security and peace?

Is a secure world one in which terrorists should be destroyed or fought with? Who are these terrorists and where are they? How much power do they have and where are they getting their orders from? Does the method of combat with terrorists aggravate nuclear weaponisation? Is it required to fight terrorists with the help of nuclear weapons as all the powers having such weapons are concentrating on producing new versions of these weapons?

Former US National Security Advisor Zbigniew Brzezinski described it as a *global vibration of world security* which emerges from international crises. The crises commence from South Asia and includes Middle East to North Africa; Brzezinski has named this vast region which includes mostly the Islamic countries (the Islamic World), the Arc of Crisis; he believes that the threats against the international system emerge from this region and shake up international peace and security.

Among these, the Middle East is the most insecure, termed as *gunpowder network* by King Abdullah, the Saudi Arabian king, while attending a seminar of heads of Persian Gulf Cooperation Council and Middle East countries in 2006 – a network which could explode at any time. If the perplex condition of Afghanistan, Pakistan's internal crisis, centralisation of US army in the Persian Gulf, invasion of Iraq, the crisis in Lebanon and the Palestinian case would be studied as an inter-related package of issues, then the concerns of King Abdullah could be followed up.

Based on the pretext of these regional conflicts having a bearing on world peace, American strategists have found the opportunity to execute and implement military projects. American military enhancement is developing rapidly and the military power gap between the US and other countries is also increasing. In 2006, US military expenditure reached \$453.3 billion, \$20 billion more than the previous year – equivalent to 47 per cent of global military expenditure and equal to the sum of that being spent by the next 34 countries. The US has defined four aims for its military power:

- Defeating extremism
- Defending the US homeland

- Contesting the emerging military powers
- Safeguarding the dangerous regimes from possessing WMDs

The explanatory note of the above mentioned that US' goal is to be the supreme and only power of the world in order to establish its military bases in any part of the world. In early 2007, USA decided to send 30,000 fresh troops to Iraq and after five months it succeeded in doing so. Thereafter, the number of troops in Iraq reached 170,000. Present mobilisation of thousands of US military troops, while engaging the war on Afghanistan and maintaining military bases in other regions of the world, explains US' military size and capacity.

In early October 2007, the US defense ministry announced the establishment of asterisk military command over Africa (AFRICOM) and the increase of the countries' military asterisks around the world to six. They have increased the number of military forces in the Pacific Ocean and are thinking about deployment in the Indian Ocean. As much as \$15 billion would be spent in the next 10 years to achieve the target. The result: The centre of military bases would be established in the Asian Region and Indian Ocean. The recent project of Thousand Ship Navy and the Global Immediate Forces Basis will complete US control over the Pacific and Indian Oceans. By coordinating with the naval forces of the coastal countries of these two oceans, it will become the only naval superpower in the world.

In the air space, America is trying to keep air vigil with Global Hawks U2 and a system of a ground information system establishing (espionage - supervision - recognition) air predominance over various regions of the world by launching its defense missile system in eastern and western Eurasia. This air system is different from space supervision system, which is done through satellites.

Besides using satellites, a new programme has been launched for air military benefits. In the past, the primary aim of US space policy understanding the solar system and national security was considered a secondary goal. But the new national space policy, approved by the Bush government on August 31, 2003, gives priority to defense

affairs. Satisfaction regarding space capacity for national security, foreign policy and development of US space activities has been announced as the most important parts of this policy.

In this document US has been denied of any possible negotiation that could divest the country from military exploitation of space, which has been considered a part of undeniable national interests. Meanwhile the spokesperson of the US national Security Council said “New policy indicates that space has become a very important part of US economy and internal security.” This led other countries to also compete in this battlefield. Launching of satellites is considered the first step in spatial competition. Only US, Russia and China are currently able to get their targets in space through satellite. The developing countries have also entered the fray and are launching satellites to do military, non-military and scientific research, which is being done in the name of international cooperation.

Beside US, Russia has also expanded its military activities in all spheres. Its military budget amounts to 666.3 billion roubles in 2006, 15 per cent higher than the previous year. Asymmetrical race, immediate reform in armed forces, new military build up and inclination on strategic weapons are being considered as the main principles of the Russian army. In the last few years, the Russian army is deploying its military vehicles all around Russian soil as a mark of military, navy and air force’s strength and power. By keeping aside the doctrine of primitive use of nuclear weapons and announcing the possible implementation of these weapons against countries which do not possess nuclear weapons and could attack the Russian land, Russia has created an unsafe and insecure atmosphere in the region. Strategic flights over the Pacific Ocean, getting close to the US ships, setting up its flag on the Arctic Ocean, testing new Topple-M missiles and preparation of ballistic missiles, all indicate this country’s reaction against US military movements.

Russia’s open antagonism against the US installing defense missiles in Poland and the Czech Republic, and Russian military officials openly voicing their concern has opened a new atmosphere of

weapons race. Russia is expanding its naval power, increasing its activities and centralising its construction and development on the fourth generation of atomic weapons called the “Creature of North Wind” and preparing its new missile the “Randhamur” which according to Russia’s claims, cannot be countered by any other missile at sea.

Meanwhile, Russian experts have announced a new version of Topple-M missile which is able to change its initial direction and velocity and therefore protect itself from other missiles and misguide missiles launched in space. Russian Defence Minister Sergey Ivanov says, “The main aim of testing missiles from land or sea is to defend and paralyse different kinds of nuclear attack threats.” However, the nuclear weapons race is not restricted to Russia and US, but other countries such as China, UK, France and developing countries like India, Pakistan, North Korea and Israel are also indulging in this race.

UK and France are increasing their nuclear weapons in the name of war against terrorism. The British government, in a statement titled ‘The Future of Britain’s Nuclear Defense, Analyzing Social Conditions which Face Nuclear Threats’ says the UK is “compelled to develop its nuclear power and quality”, even though Tony Blair as Prime Minister reduced the number of warheads from 200 to 160. In March 2007, the British Parliament gave a nod to the development of nuclear power and allowed the government to spend \$40 billion on missiles manufacturing, warhead systems and improving the defence capacity, till 2050.

Meanwhile, France has increased 3 billion euros annually as military budget for its nuclear programme and has also sanctioned 5 billion euros for sending nuclear ballistic missiles M-5 from the sea. In November 2006 and June 2007, these missiles have been tested successfully.

On January 19, 2006, French President Jacques Chirac said France would use its nuclear power against terrorism and the nations supporting it. The new French nuclear strategy, which could be

termed as a strategy of pre-emptive nuclear attack, is only contributing to global insecurity and international disorder.

China, focusing on its economic policies, attempted to adopt a strategy of peaceful development and keep away from arms race. However given the current military competition in space, China has also been compelled to launch a satellite, in order to show its power. Moreover, modernising military forces and strategic changes in the defence system, acquiring nuclear weapons, participating in military exercises and other such activity clearly indicates that China is not reducing its military powers and capacities. Considering its huge appetite for energy, China has no other choice than to provide the necessary security, defence and political mechanisms to protect its energy security.

Japan is another power undergoing transformation. In May 2003, an agreement was signed between US and Japan whereby the US will establish a military base in Japan and there will be a military convergence between these two countries. Establishing joint headquarters, joint operations and joint management of military bases are the important points of this agreement. By participating in the US military operation in Iraq and Afghanistan, Japan got the opportunity to evade all sanctions imposed at the time of World War II. On November 30, 2006, the Diet (parliament) upgraded the status of Japan's Defense Agency to Japan's Ministry of Defense. Following this, the new Ministry will have an important position in the armed forces management, it will provide basic infrastructure to the armed forces, and the defence budget would come directly under it.

Besides China, we observe different kinds of rivalry between the Indian and Pakistani armies. Whatever solutions we may have had to reduce the arms race between these two countries are negated by the presence of US army in the region and the agreements between India and US, particularly the Indo-US civil nuclear deal, making the atmosphere of the subcontinent insecure and unsafe.

We see a race in buying war weapons between India and Pakistan, and if we put Pakistan's internal crisis and the strategic engagement

of US with India together, the complexity of South West Asia will be best understood. The most important issue is that till 2004, India was one of the three main countries importing weapons, but now it has become one of the weapon exporting countries, and has gained \$20 billion from this business. Without discussing issues related to different weapon exporting and importing countries, it is noteworthy to briefly consider the results of a survey done by the Stockholm Institute of International Peace and Research (SIPRI).

According to the SIPRI survey, world military expenditure in 2006 reached \$1.2 trillion in comparison to \$1.03 trillion at the time of the Cold War in 1988. So, despite the end of the Cold War, weapons' trade is constantly increasing. The sales of the top 100 weapons manufacturing factories in the year 2000 were \$157 billion and reached \$268 billion in 2006.

Beside the independent roles of countries in international security, we also see the increasing influence of regional and international organisations, like NATO. It was assumed that like the Warsaw Pact, NATO would also collapse with the end of the Cold War, but by redefining its prospects and responsibilities, not only has it avoided collapse but has emerged as a grand organisation, with more establishments and members. Now it is undertaking military operations beyond its geographical area, in Afghanistan and claims it as a war against terrorism.

NATO is also expanding its activities in the east towards Russia; in the south, towards the Islamic countries, and intends to continue its strategic engagements and other programmes in the name of variety of issues like Mediterranean Negotiations, participation in the Peace Process, and the Cooperation Council.

We may conclude that the world is heading towards insecurity from the military point of view, and both military and security threats are increasing by the day. However, regarding armament proliferation and weapons competition, there are different views. Some believe that military expansion ultimately contributes to peace and others say military centralisation is an indication of unwanted and possible wars.

Without going into a theoretical discussion regarding arms expansion and weapons race, it must be said that the current international security system is in a more insecure situation than during the Cold War period. Then, the strategic balance between US and the USSR compelled them to sign different agreements such as SALT-I, SALT-II, START-I and the ABM agreement, but today none of these agreements are in use. The world has given up the strategic weapons treaties, and without a new treaty to replace them, the arms race will only remain to accelerate in an insecure world.

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Surviving the Unsafe World

N.S. Sisodia

Some of the most complex and daunting challenges that the world faces today are transnational in nature. The main contention of this paper is that cooperative efforts and dialogue are the only way forward to effectively address these challenges. The first part of the paper highlights certain major issues/trends/characteristics of our age, which are a reason both for concern and hope. Thereafter, the paper focuses on the geo-political situation in the neighbourhoods of Iran and India and analyses the role of different stakeholders in a fast-changing world. It concludes by calling for deeper engagement, sustained dialogue, and accommodation to resolve or at least find common ground on these pressing challenges.

Post-Cold War Era

Transient Hopes for Peace, New Wars, and the Unipolar Moment

The hope that the world would be a peaceful place, that it will be a just and fair place, that there would be equity, and prosperity – sentiments which were expressed after the end of Cold War – have been short-lived. Very soon after this transient euphoria, new wars or new types of violence have emerged, which are attributable to the rise of ethnicities, religious extremism and certain other factors. While there has been a fair amount of violence and a lot of innocent lives have been lost, it is also true that inter-state wars are much fewer and intra-state wars far exceed the number of inter-state wars.

The post-Cold War era did have its unipolar moment when the US stood as the world's only superpower with its unrivalled military, technological, and economic strength. This tempted the US to prefer unilateral approaches, marginalising multilateral institutions and the UN whenever expedient. But as recent experience has shown, our common, transnational challenges cannot be met unilaterally. We, therefore, have to think about how to make the UN an effective instrument for keeping peace and security, and capable of taking fair decisions. To curb unilateralism, the efficacy of multilateral institutions needs to be enhanced. Together, we have to explore ways to do so.

Certain recent policies and events have diminished the moral standing of the US. Yet, it continues to remain the world's most powerful nation. Many scholars argue persuasively that its overall impact on the world has been benign. With 46 per cent of the global defence expenditure, \$80 billion of R&D expenditure - which is nearly 60 per cent of all of the world's defence R&D expenditure, and nearly one-fourth of the world's GDP, the US is a pre-eminent power and it's not easy to write it off for many more decades to come. The negative effects of some of its policies could be partly a matter of conscious design but in many cases, quite unintended. Even the world's most powerful states can become vulnerable in many ways. The dilemmas that the US faces are complex. How to steer this power in the overall interests of the world in a fair and just manner is something to think about. Alternatives to current policies can be explored only through dialogue and engagement and not through confrontation.

Major Issues/Trends/Characteristics

Globalisation: Two Sides of the Coin

Globalisation is a defining feature of our age. It is characterised by the free flow of people, ideas, trade, culture and capital. These links create inter-dependencies which are good for the world and promote greater security. In fact, economic development is now being recognised as an essential tool for ensuring stability and security.

But there is also a flip side to globalisation. The process has created porous borders, which makes movement of economic and other kinds of migrants, and transmission of diseases, criminals and crime, drugs and terrorism much easier. Though globalisation has made markets much more integrated, it has simultaneously made them more vulnerable. For instance, stock markets in Mumbai or Tokyo reflect what is happening in New York and vice-versa and this makes the whole world much more vulnerable. This vulnerability was also seen during the Southeast Asian economic crisis.

The other negative aspect of globalisation is the growing disparity – the inequality amongst peoples, and countries. The gap between the rich and the poor is increasing and the perception of this relative disparity has been sharpened by instantaneous communication. The result is a deep and growing disaffection in many parts of the world.

To some extent, the reaction against globalisation and the free market is already in evidence. People who see no anchor to support them in these times of rapid change believe that whatever is going on in the world is wrong or unfair and seek the shelter of religion or some other radical ideology. Others reject the free market accusing it of stoking disparities, inequities, consumerism and exploitation of the weak. And some of them are determined to resort to violence to change the established order.

Religion and Terrorism

Terrorism is a major transnational challenge. Its victims are innocent civilians. All nations need to cooperate to meet this challenge effectively. However, the global war on terrorism has failed to achieve its objectives and has been counterproductive. It has given rise to a widespread perception that ‘counter-terrorist’ actions are targeted only against a particular religion and community. This perception has led to moderates empathising with radical elements and to the consolidation of resistance against the global war on terror.

There is need for a greater understanding of religious extremism which can lead to violence and terrorism. Why do people feel the way they do? Why some of them can be indoctrinated by radical

ideologies, which seek to create a different kind of world order, and where violence is regarded as legitimate? The challenge is to figure out how to communicate with such elements. How do we deal with them and moderate them? Religious extremism and its violent manifestation is a growing problem. It is not confined to one religion. What happens in one religion seems to provoke a reaction in another religion. This is a challenge which can be met more effectively through mutual understanding and cooperation among all the concerned countries. Both Iran and India are old civilisations; they have sheltered and nurtured multi-ethnic, multi-religious societies. They can make an important contribution to such efforts.

WMD Proliferation and Terrorism

Amongst the gravest threats of our times is that of WMD proliferation and WMD terrorism. It is questionable whether weaponisation really leads to greater security. Nuclear weapons are a reality. Arguably, they have ensured peace for a period of time. But they cannot guarantee peace for all time. Has it led to greater security in any part of the world? Does the US today feel more secure? Does Russia feel more secure? Does the theory of deterrence continue to be relevant in present times, when one has to deal with different types of groups, including non-state armed groups and rogue regimes? There could be groups who have an entirely different world view. Further, nuclear technology is not the end of human progress. New technologies are and will continue to emerge. Technologies are ideology-neutral but they can be misused to harm mankind. Thus, proliferation in different ways will continue to remain a problem.

An important question therefore is: does the acquisition of these technologies resolve the problem of security? The question needs to be addressed because acquisition of WMD technologies and weapons is likely to have a cascading effect. In the 1960s, some experts had estimated that there would be twenty-five nuclear weapon states. Fortunately, this did not happen. But this could happen now given that the relevant knowledge is available so freely, and it is possible to access materials, technology and technical expertise with some effort. Hence the question: Will this cascading

effect, if it does take place in West Asia, Northeast Asia or in Latin America, make those regions and the world more secure?

Nuclear Disarmament: Hope or Reality

The danger posed by the existence of nuclear weapons and materials is a common challenge that we need to consider. The situation has been complicated further by the fact that the moral foundations of the NPT regime are weak; the Treaty is discriminatory and implemented selectively. Article VI of the Treaty asking for disarmament remains unimplemented. No effort has yet been made towards the eventual elimination of the existing nuclear weapon arsenals, which pose a continuing threat to mankind.

There is need for a determined and sincere effort to pursue disarmament. It is heartening to note that strong calls have been made by influential thinkers and opinion makers in the West about the imperative to undertake nuclear disarmament. President Obama has made nuclear disarmament one of the pillars of his foreign policy. It remains to be seen if he can succeed in fulfilling his agenda, given the contradictions generated by the efforts of his own country, as well as of other nuclear weapon powers, to go ahead with nuclear modernisation plans.

It is also worth bearing in mind that reasons other than moral seem to be driving their agenda on nuclear disarmament. The alleged nuclear ambitions of Iran, for instance, and North Korea's nuclear brinkmanship are prime reasons for their sudden activism on the issue rather than their need to fulfil commitments made under Article VI of the NPT. It is essential that these NPT states declare nuclear weapons illegitimate and unlawful. In the interim, they must all adopt a 'No First Use' doctrine. There are alternatives and more civilised ways of rationally safeguarding national interest and security and these need to be explored through dialogue and not through confrontation and brinkmanship.

Other Grave Dangers

While terrorism and WMD proliferation as common challenges to our security loom large, there are other grave dangers of our times

which would require a cooperative effort to tackle. These include energy security, drug trafficking, climate change, cyber war, pandemics, and organised transnational crime. Fragile and failing states also pose a danger to their neighbours and ungoverned spaces become breeding grounds for criminals and terrorists.

Dangers of Fragile Neighbourhoods: India and Iran

Both India and Iran have fragile or failing states in their neighbourhood. Given the fact that such states pose a problem for neighbours, Iran and India need to jointly look for common strategies to deal with them. The challenge of asymmetric war besets all states who face unequal enemies. 9/11 proved that even the most powerful country in the world is also vulnerable. The limits of military power have been further demonstrated in Iraq and Afghanistan. But the challenge of asymmetric war is not a problem for great powers alone. Other nations including India and Iran also face them. Asymmetric warfare, the war of the weak against the powerful, is a reality and we have to consider how to effectively respond to it.

Iran's Neighbourhood

In West Asia, the Palestinian question continues to fester. After the November 2007 Annapolis conference failed to achieve any substantial progress, domestic political equations in both Israel and the Palestinian territories have been in a state of flux. A new centre-right coalition under Prime Minister Benjamin Netanyahu came to power in Jerusalem in April 2009, with its own baggage of 'extreme' positions on the issue. Apprehensions were expressed regarding the likely negative impact of policies that flow from such stated positions. For instance, the insistence that there would be no stopping the construction of Israeli settlements on the West Bank.

The new US administration has been very proactive - unlike the previous administration which became involved rather belatedly at the fag end of its term in hammering together a solution - and appointed the former senator George Mitchell as Special Envoy to the region within a few days of taking over the reins of power. President Obama has also publicly asserted that there will be no

going back on the need to establish a Palestinian state as soon as possible. It is noteworthy that Netanyahu, in the speech that he gave at the BESA Centre for Strategic Studies on June 14, 2009, has for the first time accepted the possibility of an independent Palestinian state. He, however, stressed that such a state will have to be demilitarised and that Israel will continue to exercise responsibility for its foreign and external defence policies. The internal compulsions of various parties in Palestine and their own differences have not shown any signs of getting bridged soon. The Israelis have also been insisting that because of the divisions within the Palestinian political ranks, there was no Palestinian 'partner for peace'. How can these contradictions be resolved? Iran has a major role to play in this process. Given India's bonds with and interest in the region, it has huge stakes in the resolution of this problem.

The situation in Lebanon seems to have stabilised now. The appointment of Saad Hariri as the Prime Minister on June 2009 after having won an electoral victory brings with it the hope that a war-torn nation can begin to find its feet again. Huge challenges do remain. The presence of international peacekeepers (including Indian soldiers) and the Lebanese Army has been a bulwark against the possibility of hostilities breaking out again. Concerns do remain about the future role of the Hezbollah and about Syrian involvement in the internal situation of Lebanon. Israel on its part has warned that if Hezbollah is included in the new government, the Lebanese government will be held responsible for any actions the group might take against Israel.

The situation in Iraq presents a mixed picture. While on the one hand, the US has committed to withdraw forces under the terms of status of forces agreement, questions still remain about the ability and capabilities of the Iraqi security forces to maintain law and order and provide security. With a huge population of the country still displaced from their homes and surroundings, it will require a lot of effort by the al-Maliki government to convince them to return to secure neighbourhoods. While certain remedial measures have been taken, there is still a need to improve the institutional capacities of government institutions in Iraq. The capacity of the Iraqi military

also needs to be built up. Efforts to enact laws to equally distribute oil wealth have hit roadblocks time and again and the status of the Kirkuk and Kurdish-dominated northern and relatively stable part of the country is not yet settled. An Arab-Kurdish conflagration will in all likelihood prove to be as deadly and dangerous as an intra-sectarian divide, and a possibility that the government in Baghdad and responsible international interlocutors should strive hard to avoid. Iran as Iraq's immediate neighbour will have its hands full in being an essential part of the mechanisms to stabilise the country.

India's Neighbourhood

As far as South Asia is concerned, it can be said that India is an oasis of relative stability in a region of instability. Many of our smaller neighbours are going through periods of political transition. Fortunately, there have been many positive developments, including the installation of a democratically-elected government in Pakistan, and successful elections to the constituent assembly in Nepal. It is hoped that the mainstreaming of Maoists in Nepal's polity augur well for its stability. Recent events in these two countries, however – the confrontation with an increasingly assertive Taliban in Pakistan and political disturbances following the sacking of the Army Chief in Nepal – indicate that there is still a long way to go before these countries can become stable

The Afghanistan-Pakistan region has become a source of grave concern. The Taliban are resurgent; their influence is growing; there are large tracts of Afghan territory where the writ of Kabul does not run; poppy cultivation and drug lords are flourishing and providing an ample source of funds to the Taliban; The Afghan police and national army remain ill-equipped and ineffective and the coalition forces appear to be losing their grip. To compound the problem further, Taliban and their associates have found a safe haven across the border in Pakistan. There are even reports that Pakistan agencies are aiding them.

In Pakistan, its own Taliban, Tehrik-i-Taliban Pakistan, appears to be gaining in strength and the government's authority to deal with internal strife is in question. The Pakistani establishment's attitude

to terrorism remains ambivalent. While there may be official claims of effective action being undertaken to defeat terrorism, it is a fact that terror outfits are seen as a strategic asset against India. A weak and friendly government in Afghanistan is seen by Pakistan Army to be providing Pakistan strategic space and depth. Pakistan's own economy is fragile. The problems of this region cannot be effectively tackled unless Pakistan unequivocally and effectively addresses the challenge of terrorism and joins the international community to counter the Taliban in the region. An unstable Afghanistan-Pakistan region is a common challenge for Iran and India and the two countries need to explore how they can deal with it effectively.

In Bangladesh as well, though a new government under Sheikh Hasina has assumed the reins of power after a long period of rule by a military-backed caretaker government, the situation is tenuous, exemplified by the mutiny of the country's border guards in February 2009 that resulted in the killing of nearly 40 Army officers. There is also the rising influence and presence of rightist extremist Islamic groups in the country. In Sri Lanka, the government has succeeded militarily in wiping out the LTTE. It seems the difficult tasks for the government of President Rajapakse lie ahead. We believe that there is little hope for stability in the country until the authorities earnestly start implementing the devolution package for the minorities which alone will ensure long term peace. As the above narrative shows, India is unfortunately surrounded by States which are currently going through difficulties. Their instability is a matter of concern for us. Our policy is to see that they become prosperous, and that they live at peace with India.

At the same time, we are conscious of the fact that India's size, population and economic and military strength, relative to its neighbours, become a source of unfounded apprehensions and discomfort. However, India's vision is that of an economically vibrant and prosperous neighbourhood which views India as an opportunity and not a threat. India recognises that as a relatively larger nation, its responsibility is to reassure its smaller neighbours (The same I believe will be true for Iran as well). These countries should also ensure that India's own legitimate security interests are

appreciated and not compromised by illegitimate activities within their territories, undertaken either by the consent of the authorities of these countries or by their inability to prevent such activities.

Conclusion

As this brief paper indicates, the world is unsafe not only because of the nuclear question but because of many other disturbing phenomena like terrorism, climate change, or drug trafficking. However, we can make it safer by deeper engagement with the concerned constituencies, by the strengthening of multilateral institutions, by energising the United Nations and through intensive preventive diplomacy. Strengthening the positives while striving to reduce the effects of the negatives should take us forward along the path to mutually agreeable solutions and greater security.

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Part II

Trends in Regional Security and Implications:
Afghanistan - Pakistan

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Afghanistan and Pakistan: Future Perspectives

Ziba Farzinnia

Afghanistan and Pakistan are linked. There can be no successful outcome for Afghanistan, if Pakistan is not seen as part of the solution. The future stability of both depends on the development of an effective regional strategy to counter and uproot the Taliban/ Al Qaeda from their sanctuaries in Pakistan's tribal border areas. Despite optimistic and encouraging developments since 2001, different hurdles, particularly those posed by terrorism and insurgency coupled with a pervasive drug economy, have placed a formidable combination of challenges for the political and economic reconstruction of both the countries.

Developments in Afghanistan in the past several years had initially brought up ground for optimism, with the people and the Government both successfully meeting all recommendations set out by the Bonn Agreement. While Pakistan has suffered a run of bad news in recent years, the current developments--the return of the democratic process and what is widely believed to be the end of a decade of military rule--appear to be hopeful.

This paper seeks to examine the main problems in Pakistan and Afghanistan, and answer the following questions:

- What are the key challenges and developments in Afghanistan and Pakistan, and how should one deal with them?
- What are the common interests of Iran and India towards Afghanistan and Pakistan?

Developments in Afghanistan

The living standard of Afghan people has taken an upward turn since 2004 and is much superior to the life they experienced under the Taliban regime. The developments include:

Access to Health Services

When Taliban fell, Afghanistan had some of the worst health indicators in the world. The country has progressed in the health sector since. Johns Hopkins University reported that infant mortality rate of the country declined from 165 per 1,000 live births in 2001 to about 135 per 1,000 in 2006. This means that about 40,000 fewer infants are dying each year compared to during Taliban rule. More than 10,000 community health workers-half of whom are women-have been trained and deployed. The number of facilities with trained female health workers has increased from 25 per cent to 85 per cent today.¹

Access to Education

Thirty years of conflict and political unrest have destroyed the Afghan education system. In 2001, the net enrolment rate for boys was estimated at 43 per cent and at 3 per cent for girls. Today, enrollment of children in Grades 1-12 across the country has increased from 3.1 million to just over 5 million (of which 1.75 million are girls).²

Afghanistan's Reconstruction

The multilateral Afghanistan Reconstruction Trust Fund (ARTF) was set up in May 2002 by the World Bank to provide support to Afghanistan in two areas. First, it provides for the recurrent costs of the government, such as salaries of teachers, health workers, civilian staff in ministries and provinces, operations and maintenance expenditures; and bulk purchases of essential goods for the government. Second, it seeks to support national investment programmes and projects in rural development, infrastructure and capacity building/education. For example, it has helped connect more than one million people in Parvan, Baghlan, Kunduz, Takhar and Badakhshan provinces to the country's main transport and infrastructure network, enabling them to enjoy better distribution

for agricultural products, humanitarian flows, and easier access to social services and administrative centres.

Rehabilitating the telecom sector

In 2002, Afghanistan had a barely functioning communications network. Over 99 per cent of the population had no access to telecom services. Only five major cities had telephone services. The country had little or no access to the internet. Today, Eight out of 100 Afghans now have access to a telephone, compared to less than one out of 100 in 2002. Services are also more affordable now. The number of telephones in Afghanistan has increased from 57,000 in 2002 to 2.16 million in 2006. All provinces are now connected.³

Afghanistan's Challenges

Why is the livelihood of the Afghan people not yet secure? In the first 10 months of 2007, Taliban militants conducted 193 suicides bombings; a 20 per cent increase from 2006. What are the major roadblocks? These are poppies, corruption and insecurity. Actually, these three factors merge and produce the Taliban.

Illegal Drugs

In its final Afghan Opium Survey for 2007, the United Nations Office on Drugs and Crime (UNODC) shows that opium is now responsible for more than half (53 per cent) of the country's licit GDP. The total export value of opiates produced in and trafficked from Afghanistan in 2007 was about \$4 billion, a 29 per cent increase over 2006.⁴

While opium has a significant impact on the Afghan economy, massive profits are made abroad through its export as its value increases with every border crossing. Drug trafficking is a transnational threat and therefore national initiatives have their limitations.

The opium and heroin produced in Afghanistan generates \$4 billion a year. Warlords in the country use much of these funds to hire gunmen. Also, and about half of this figure goes to farmers growing poppy. This brings instant riches, because poppies yield 30 times more income than traditional food.

Violence and Insecurity

Security issues, including terrorism and violence, are the biggest problem in Afghanistan. In 2007, the country saw record violence that killed more than 6,500 people, including 925 Afghan policemen and nearly 4,500 militants, and large swaths of the country remain outside government control.⁵

The insurgents are resorting to use of improvised explosive devices, suicide bombings, kidnappings and targeted assassinations; they kill teachers in front of their students, parliamentarians in their districts and foreigners in the centre of Kabul. Almost half of Afghanistan is now dangerous for aid workers to operate in. Despite their increased number, foreign forces have not been able to achieve major successes in recent years and they have been unable to provide security for the Afghan people. Civilian deaths caused by US and NATO forces in the first half of 2007 rattled the government, and more foreign fighters flowed into the country. In addition, corruption in Afghanistan works as an ancient custom, hand in hand with poverty and violence.

How the Problems can be Handled?

Significant points which should be considered are:

- First, the United Nations should increase its role in coordinating the various international actors on the ground and provide a framework under which various soft and hard tasks can be merged.
- Second, NATO needs to review its Afghanistan mission and how long want to stay in that country? The US and its allies have failed to develop a viable counter-terrorism and narcotics strategy. Their mission in Afghanistan is facing a long list of challenges. The most glaring challenge is the lack of a coordinated strategy, both at the military level and in the area of post-conflict reconstruction.
- Third, more resources need to be put towards the reconstruction and development of Afghanistan. That means greater involvement of multilateral and international organisations, such

as the World Bank, the UN, and the European Union. There are organisations on the ground, but their contributions to date have not come close to matching the scale of the task on hand.

- Fourth, enhancing the capability of the police and army will constitute the most effective response to the surge in terrorist activities and violence in certain parts of Afghanistan. If issues such as poor supply of equipment, weapons, food and accommodation for troops are resolved, the Afghan armed forces will be best placed to deal with the rampant insurgency.
- Fifth, there is no doubt that terrorism, insecurity and drug trafficking in Afghanistan are mutually reinforcing, and terrorist groups are among major beneficiaries of drug money. There must be massive investment in rural development to give local farmers an alternative to growing poppies and thus undercut the Taliban's stranglehold on the opium trade.

Iran's Role

On its part, the Islamic Republic of Iran has fought a costly war against heavily armed drug traffickers and lost more than 3,500 policemen in recent decades, and stands ready to continue this fight. For Iran to sustain its fight against drug trafficking, international support and especially cooperation of neighboring countries is indispensable.

Out of \$560-million reconstruction assistance for Afghanistan pledged by Iran in the Tokyo conference, Kabul has so far spent \$270 million on mutually agreed projects in the areas of infrastructure, technical and educational services, financial services and in-kind assistance. During President Hamid Karzai's visit to Iran in May 2006, seven agreements and memoranda of understanding on exchange of prisoners, extradition of criminals, promotion of investment and construction of the Khwaf-Herat railway as well as cooperation in cultural, judicial and economic fields were signed.

Hosting almost 3 million Afghan refugees for about three decades and incurring huge costs in the process, the Iranian Government expects more cooperation on part of the international community

and the Afghan Government in the process of their voluntary repatriation. Despite actions taken in the past several years, this process is yet to pick up suitable pace.

President Mahmoud Ahmadinejad visited Afghanistan in August 2007 and signed four memoranda of understanding in the fields of trade and economy, investments in mines, water, electricity and energy sectors, as well as bilateral cooperation on security affairs. During the visit, President Ahmadinejad also expressed Tehran's readiness to make all-out efforts to help the Afghan people attain peace and development.

Developments in Pakistan

Despite last year's critical situation involving the state of emergency and assassination of Benazir Bhutto in Pakistan, things are changing in that country.

Return of Democracy

In October 2007, President Musharraf won the support of most parliamentarians in the presidential elections, with the then Supreme Court confirming his right to stand for the elections, clearing the way for him to become a civilian leader. He then resigned as army chief and lifted the state of emergency in mid-December. Parliamentary elections were scheduled to take place in the country on January 8, 2008, but were postponed until February 18 on account of the unrest resulting from the assassination of Benazir Bhutto.

The general elections saw the Pakistan Muslim League, or the "king's party" because of its support for Musharraf, conceding defeat. It could win only 42 out of the 268 parliamentary seats. Similarly, the country's Islamist parties won only three parliamentary seats. The two opposition parties--Pakistan People's Party (PPP) and the Pakistan Muslim League (Nawaz)--were the main beneficiaries of the elections. While the PPP won 88 seats and had the support of 25 other seats, the PML(N) won 65 seats.⁶

Following their good performance, both the PPP and the PML-N agreed to form a coalition government, with the PPP electing the

head of the federal government. The cabinet includes ministers from the PML-N and several other smaller parties. But, the new coalition faces major challenges, specially as they have been bitter enemies for decades.⁷

New Role of Army

In the past year, the army has especially felt the sting of widespread disrespect. It has undertaken unpopular missions and has been on the receiving end of an unprecedented series of suicide bombings. Its professional performance has looked weak. General Kiyani, the new army chief, has sought to place greater distance between the army and domestic politics. In a move to de-emphasise the army's political role, Kiyani has ordered some military officials seconded to civilian government departments to return to their army jobs. He has also restricted contact between military officers and politicians.

Pakistan's Challenges

Some of the most important problems Pakistan is faced with are as follows:

Violence and Insecurity

The issue that poses the greatest danger to Pakistan and to the new government is militant violence. In 2007, more soldiers and civilians--over 1,365 people--were killed in terrorist violence than in the previous six years combined. Since the assassination on December 27, 2007, of Benazir Bhutto, over 400 people have been killed by terrorists, mostly in suicide-bombings.⁸ Within the Federally Administered Tribal Areas (FATA), pro-Taliban combatants have consolidated ranks under the Tehrik-e-Taliban headed by Baitullah Mehsud, a prime suspect in the Bhutto assassination. In the Swat Valley, an armed insurgency has flared under the leadership of a pro-Taliban cleric. Both these conflicts seem to be in a temporary lull, but for different reasons. In Swat, the army has gained the upper hand by keeping the militants under constant pressure. In Baluchistan province, the government arrested the Taliban's former operations chief in Afghanistan, Mullah Mansoor Dadullah. In the

same day in north-western Pakistan, kidnappers kidnapped Pakistan's ambassador to Afghanistan, Tariq Azizuddin, along with his guard and driver. They have reportedly offered to swap them for Dadullah.

Most Pakistanis blame Musharraf for their country's grave insecurity and believe that Pakistan should not support America in its "war on terror". In addition, many accuse Musharraf, or his political allies, of murdering Bhutto. She had accused several Musharraf henchmen of plotting to assassinate her.

Economic Conditions

The economic reforms of recent years are unlikely to be reversed by the next government. However, while the PPP's prospective policies have so far emphasised governance and security, its economic priorities are not yet clear. Several polls suggest that shortages of wheat and other essential food items, high inflation and worsening power cuts are the main reasons for Musharraf's unpopularity. A mafia of well-connected wholesalers is now hoarding the crop. In recent months, the price of flour has almost doubled. Efforts to control inflation will remain the focus of monetary policy. The Economist Intelligence Unit expects inflationary pressures to increase in 2008. Real GDP growth will average 5.5 per cent a year between fiscal year 2007-08. The economy will remain dependent on textiles, other manufacturing and services.⁹ The PPP-PMLN coalition should concentrate on this crisis no less than on the other political priorities it has set for itself.

How can the New Government Deal with the Problem?

- **Revive Parliament's role:** Both Asif Ali Zardari and Nawaz Sharif have stressed that the new Parliament will be consulted on the strategy toward the insurgency, a sharp distinction from the go-it-alone behaviour of Musharraf. They said they will revive the role of Parliament.
- **Negotiate with the militants:** The leaders of Pakistan's new coalition government have said they will negotiate with the militants believed to be orchestrating the attacks and will use

military force only as a last resort. Such talk has, however, alarmed American officials. New elections have also brought demands for change in the US-backed policies. Washington opposed past negotiations because in its view short-term peace deals between the militants and the Pakistani military were a sign of weakness and resulted in the militants' winning time to fortify themselves.¹⁰

- Independent stance: The new leaders have tried to strike a more independent stance from Washington and repackage the conflict in a more palatable way for Pakistanis. They will not like to be seen as dictated to by the US. They want it to be seen as 'our war.' As Sharif has been quoted as saying: "We are dealing with our own people. We will deal with them very sensibly. And when you have a problem in your own family, you don't kill your own family. You sit and talk."

Choose new leadership for intelligence agencies: Another important distinction from the past is that the new government will not use "the same tainted network of agencies and the army who have created this" situation. These intelligence agencies will almost certainly have a new leadership chosen by the prime minister.

Different Scenarios

If political leaders develop a confrontation with the lawyers, or if the conflict between the President and the political parties persists for a long time, the new government may not be able to address the problems that directly affect the ordinary people. Such a scenario will alienate the people and weaken their faith in the problem-solving capacity of democracy.

If society loses faith in political leaders and democracy, the process will again become vulnerable to pressures from the military-bureaucratic elite.

Most Pakistanis believed that without any doubt, the US has made Pakistan a scapegoat for her failed policies and has intensified pressure on Islamabad without bothering for the present internal backlash and particularly by ignoring the perennial suicide attacks

in Pakistan. At this critical juncture, Pakistani politicians, security forces and general masses need a strong unity and sense of nationalism, which is essential to castigate any conspiracy and to maintain the integrity of Pakistan.

Pakistan's security and economic conditions can hardly afford a confrontation with the US. The way the major political parties are keeping mum on such attacks means that the new government will cooperate with the US, at least as much as Musharraf did.

Iran and India: Common Interests

Both Iran and India need a common strategy at a different level to achieve the joint objectives. In this regard, different commissions must be held to discuss about problems and obstacles, and exchange views. This process can help policy-making. Some areas of common interests are as follows:

- Afghanistan and Pakistan's security will improve Iran and India's security level.
- Stability in Pakistan and Afghanistan will help solve the border problems.
- Development of Afghanistan and Pakistan will have a positive impact on Iran's and India economic restructuring.
- Solving the problem of terrorism can pave the way for further regional security and stability.

Conclusion

To conclude, under the current circumstances, the future of Afghanistan and Pakistan is filled with different hopes and challenges.

The issue of illegal drugs is one of the major challenges for Afghanistan as it is one that has marred the process of development. It has also raised security concerns both in that country and in the region.

Iran also appreciates UN efforts to settle the political situation in Afghanistan, and has called for further support and cooperation for

the international body in Afghanistan's reconstruction. Based on its commitment to the Afghan and Pakistan people, the international community should strongly and firmly stand by Afghan and Pakistan government and people in their fight against terrorism, extremism and drugs until stability and democracy are restored.

What is needed in both the countries is a "multi-pronged strategy. That is, military force along with development and empowerment of the people. Using force alone is not the answer."

Over the longer term, the region requires a new policy that addresses Afghanistan and Pakistan's political, economic and security concerns and seeks to neutralise regional and great power rivalries. Such an agreement will have another positive corollary - it will provide the basis for the eventual withdrawal of the US and NATO military forces from a stable and secure Afghanistan.

Constructive ties between Afghanistan and Pakistan and other countries, particularly Iran and India, should be predicated on mutual respect, honouring territorial integrity and non-interference in each other's internal affairs. Developed and democratic Afghanistan and Pakistan will not only guarantee the interests of those countries but will also have a great impact on regional security, political and economic developments.

End Notes

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4

Search for 'Moderate Taliban': Resolving or Perpetuating the Afghan Conflict?

Vishal Chandra

The overthrow (or the retreat) of the Taliban forces from Kabul and Kandahar in late 2001 was viewed with optimism by the world in general and by planners of the US-led war on terror in particular. The US administration, convinced of its success in Afghanistan, then turned to a similar regime change in Iraq in early 2003. They remained or preferred to remain oblivious of the strong trans-border dimension of the Taliban movement for the next few years. Despite authoritative reports, the West continued to ignore and trivialise the emerging threat of the Taliban, which was regrouping along and across the Durand Line in Pakistan's tribal areas.

Media reports and Western official statements liberally talked of 'post-conflict' reconstruction in 'post-Taliban' Afghanistan. Taliban fighters were commonly referred to as 'remnants' of the former regime and their guerrilla units as a 'rag tag' force. It was not until 2006-07 that the West came to recognise the resurgence of the Taliban. Afghan President Hamid Karzai's call for re-strategising the war on terror in 2005 and ground assessments of NATO commanders leading the counter-Taliban operations in southern provinces since the middle of 2006 further de-mystified all notions of a 'post-Taliban' Afghanistan. By 2008, Western troops in Afghanistan were taking more casualties than they had since 2001, and this was even more than they had suffered in Iraq. Moreover, rising civilian casualties due to coalition forces' excessive reliance on airpower and NATO's constant inability to spare requisite troops and resources were clearly working in favour of the Taliban guerrillas.

As violence grew, so did the demand for a negotiated settlement with anti-government groups, especially the 'moderate' or the 'good' Taliban'. Recent years have seen a surge in peace initiatives with the Taliban by diverse entities at various levels. Unlike the US, some European member-states of NATO have for long been in favour of opening negotiations with the Taliban in Afghanistan. The US administration, under President Barack H Obama, has as part of its new strategy for the Af-Pak (Afghanistan-Pakistan) region, unveiled on March 27, 2009, also approved the idea of reaching out to reconcilable elements within the Taliban.

Interestingly, the idea of weaning away 'moderate Taliban' from the relatively core elements is not new. It has evolved through the seven years of the war on terror. It has been reflective of the differing perceptions among the Western countries towards the US-led war on terror and their diverse approaches to dealing with the rising instability in the Afghanistan-Pakistan region. The inherent shortcomings in the Bonn process and the paradoxes in the US' Afghanistan and Pakistan policy has intensified the search for reconciliation with the Taliban elements. As the West scripts an exit strategy and the Taliban raises the ante on either sides of the Durand Line, there are complex issues impacting on the future of Afghanistan and therefore regional security. Major regional powers, especially Russia, China, Iran, and India, have yet to size up for a collective response to the challenges that lie ahead.

This paper attempts to examine the idea and politics of reconciliation with the moderate Taliban in Afghanistan and whether this will contribute to resolving or perpetuating the Afghan conflict and the instability in the wider Af-Pak region. The paper posits that though the US does not have many options at the moment, the idea of reconciliation with the Taliban in its present form will certainly not yield the desired results, even in the short-term. It is Pakistan's politics of evasion, aversion and diversion from the core issue of fighting religious extremism and terrorism that threatens to destabilise the entire south-central Asian region. Ironically, the war on terror remains ideologically contested and physically constrained by the ambivalence of the US' own allies. In the given circumstances, any attempt to reconcile with the Taliban will prove counter-

productive. It will further strengthen the position of Taliban in general and the pro-Taliban elements within the Pakistani establishment in particular.

Idea and Politics of Reconciliation with ‘Moderate Taliban’

Within days of the signing of the Bonn Agreement among disparate Afghan groups in December 2001, the probability of moderate Taliban who could be gradually co-opted into the new political process began to be explored. There were reports that soon after the Taliban retreat from Kabul in November 2001, attempts were made by Pakistan and the US to convince Jalal-ud Din Haqqani to carve out a faction of moderate Taliban. Despite pressure from Pakistan, Haqqani refused to take the bait.¹ The US too could not have been averse to the idea of Taliban elements joining the process, given its focus on Al Qaeda which it had accused of carrying out the 9-11 attacks. Apart from the above, the US was apparently not keen on staying for long in Afghanistan, as in 2002 it had begun preparing for the invasion of Iraq.

Meanwhile, in view of the inherent contradictions in the Bonn process, the position of Hamid Karzai was far from secure in the power politics of Afghanistan. The West-sponsored Bonn process and the Panjshiri Tajik-dominated government of Karzai were viewed with skepticism by the Pashtuns, who had a strong sense of political alienation. Interestingly, in July 2004, Karzai referred to private militias of various factional commanders as the greatest threat—greater even than the Taliban—to the stability of the country.²

Given the prevalent ethno-political divide, Pashtuns in rural south and south-east often viewed the Taliban as a strong Pashtun force who challenged and ended the Tajik domination over Kabul, the traditional seat of Pashtun power. Sensing the latent support for the Taliban among the rural Pashtuns, Karzai tried to entice the Taliban cadre through offers of amnesty and rehabilitation in the run up to the October 2004 presidential election. He initiated *Programme Takhim-e Solh* (PTS) for strengthening peace initiatives,

primarily aimed at weaning away Taliban and the Hezb-e Islami fighters, except for 100-150 hardcore senior elements of both the organisations, including Mullah Mohammed Omar and Gulbuddin Hekmatyar. In the run up to the September 2005 parliamentary elections, he appointed veteran Afghan leader Sebghatullah Mojadeddi as the chairman of the newly-formed Afghanistan National Independent Peace and Reconciliation Commission. The commission went a step ahead and extended amnesty even to senior Taliban and Hezb-e Islami leaders, including Omar and Hekmatyar. However, neither Kabul nor the commission were successful in luring the Taliban, who in years to come would intensify their guerrilla offensives against the Afghan government and Western forces.

In September 2006, Pakistan entered into a pact with the pro-Taliban tribal elders in the North Waziristan region. The British Minister of State for Foreign and Commonwealth Affairs, Kim Howells, who visited Islamabad within days of the signing of the North Waziristan Pact, suggested that the pact could be “a good example for Afghanistan”.³ In October 2006, British NATO commanders entered into a deal with Taliban guerrillas in the Musa Qala district of the southern Helmand Province. However, in February 2007, Taliban guerrillas in violation of the pact captured the Musa Qala district, retaining their control over the district for next 10 months. Both Kabul and the US were highly critical of the British tactic. However, by this time, Kabul had already renewed its efforts to reach out to Taliban cadre that was willing to abjure violence against the government. Speaking to the German daily, *Der Spiegel*, in March 2007, Karzai stated that he was willing to ‘embrace’ Mullah Omar and Hekmatyar for peace and stability in Afghanistan. However, he added, that “it is the Afghan people who should decide on the atrocities committed against the Afghan people”.⁴

In addition, the growing inability of the Western forces (especially the NATO-led multinational force) to stem the rising Taliban tide and the continuing civilian casualties in counter-insurgency operations further convinced Kabul of the urgency to weaken the Taliban through offers of amnesty and political incentives. The surge in reconciliation initiatives aimed at Taliban by multiple actors at

various levels too posed a new challenge to the central government. In May 2007, the upper house of the Afghan parliament passed a bill asking the government to open talks with the Taliban.⁵ Former senior Taliban officials based in Kabul like Mullah Wakil Ahmed Muttawakil and Mullah Zaeef also emphasised on the need for the government to talk to the Taliban.

Interestingly, the National Front (NF) of Afghanistan or the *Jabha-ye Milli*, comprising of former United Front (or Northern Alliance) leaders and some ex-communists, announced in early April 2008 that they had been negotiating with the Taliban.⁶ The NF spokesperson was reported to have even asked for the recognition of the Taliban as a political or a military party.⁷ In May 2008, the lone member from the former royal family in the Front, Mostafa Zahir, reportedly proposed the establishment of a transitional government comprising members from the present government and the Taliban and other anti-government groups.⁸

At the same time, British intelligence agents continued to negotiate with the Taliban in Helmand as was reported by *The Daily Telegraph* in December 2007.⁹ Karzai was quick to assert in January 2008 that Helmand “was one part of the country” which had “suffered after the arrival of the British forces” for until then his government had been ‘fully in charge’ of the province.¹⁰ He also appointed former Taliban governor of Urozgan province as the chief of the Musa Qala district. Again in February 2008, the newly appointed governor of Helmand province proposed to initiate negotiations with the “second and third-tier Taliban” at the behest of the central government.¹¹ In the same month, strongly disapproving of the British initiatives, Karzai expelled European Union official and former advisor to the British high commission in Islamabad, Michael Semple, for allegedly negotiating with the Taliban.¹²

Though officially NATO may have been against any dealing with the Taliban, individual member-states often had their own perceptions about the Afghan conflict and strategies to deal with the Taliban challenge. The British tactic of negotiating and at the same time keeping military pressure on the Taliban was conspicuous for its role in re-shaping the Western discourse on ways and means

to stabilising Afghanistan. It also contributed to a notably competitive surge in efforts to explore possibilities of reconciliation with the Taliban. Talking to the Taliban has since been projected as one of the few available ways of 'stabilising' Afghanistan before the Western forces begin to withdraw. Given their differing rules of engagement and varying perceptions of the US' war on terror, most of the European member-states of NATO are more likely to negotiate with the Taliban at the local level in times to come despite the realisation that reconciliation initiatives have to be an Afghan-led process. There have also been reports of Canadian and Dutch commanders trying to negotiate with the local Taliban.¹³ The new Af-Pak strategy declared by the Obama Administration is reflective of the growing consensus in the West on the issue of seeking an understanding with, rather than of, the Taliban groupings as part of the desired exit strategy. There is a strong scepticism about the effectiveness of the 21,000 additional troops being deployed by the US in Afghanistan, given the growing realisation in the West that there cannot be a military solution to the Taliban insurgency.

The new Af-Pak strategy is a major US exercise in public diplomacy. By referring to the need for reaching out to reconcilable elements in the Taliban, the idea is to be seen as understanding the European viewpoint. The key objective being to reduce the gulf between US and its NATO allies; to buy time more time both from the reluctant European partners and the American public for the Af-Pak strategy to be implemented; a sop to Pakistan too in lieu of the continued drone attacks or cross-border commando operations. This will also help project the US as a peace builder in the region in sharp contrast to the Taliban's inflexibility on the issue.

The strategy can be a win-win situation for the Obama Administration. If the idea of integrating "non-ideologically committed" reconcilable insurgents leads to defections in the Taliban, it will be projected as a foreign policy success; and if not, then it will expose the illogicality of the very idea of talking to the Taliban. This, in turn, will provide the US with the justification for deploying additional troops and putting diplomatic pressure on NATO and Pakistan to do more against the Taliban and its allies.

On its part, Kabul has always been keen on reconciling with Taliban elements ready to renounce violence and accept the Afghan constitution. To make a point, Karzai Government integrated some of the former Taliban in the government structures, especially at the provincial level. Aware of the inflexible position of the pro-Al Qaeda senior Taliban leadership and its own limitations, Kabul has been sceptical of reconciliation initiatives being made by various extra-governmental and foreign entities at their own levels. Such initiatives, it feels, undermine the authority of the central government and instead reinforce the position of the Taliban and its allies. However, Kabul is not averse to seeking assistance from foreign powers with influence over the Taliban and Pakistan, especially Saudi Arabia, provided the reconciliation initiative has its consent and participation. What is important here is the seriousness with which the Taliban responds to such initiatives. One can gauge the limitations of the Taliban leadership as well as their lack of intent in negotiating with Kabul when Taliban commander Siraj-ud Din Haqqani noted, "We cannot go outside Afghanistan to participate in any talks, as we face difficulties in our movement. In case of any talks, we send fifth or sixth-rank leadership to negotiate."¹⁴

Perspectives: Resolving or Perpetuating the Afghan Conflict?

To begin with, the key question is whether, and to what extent, is the core Taliban leadership willing to be part of the ongoing national reconciliation process. Are they at all interested in exploring a negotiated settlement? The Taliban, who have been successful in turning the conflict with the Western forces to their advantage, have so far not shown any visible inclination or the readiness for a negotiated settlement with Kabul. In fact, given the conditions attached by Kabul and the Taliban for initiating the negotiations, it is clear that both remain strongly sceptical of each other's objectives and machinations.

Though Kabul claims to be talking to the Taliban, the latter have constantly denied entering into any negotiations with the Afghan

government. For the Taliban, any reference to 'moderate Taliban' or alleged negotiations between the Taliban and Kabul is part of the propaganda to weaken the movement. However, it is not known as to what extent Kabul has been able to reach out to the senior Taliban leadership, believed to be exiled in the Balochistan Province of Pakistan. Here, it is important to factor in the way the Taliban leadership views the West-backed government of President Karzai in Kabul. Though the Taliban publicly refuse to accept the legitimacy and the authority of the Karzai Government, negotiations between the two could be taking place at different levels, as is evident from the meetings in Saudi Arabia. Interestingly, the Taliban have denied participating in these meetings.

On the issue of 'moderate Taliban', the reaction and response of the Taliban has been consistent till date. As early as November 2001, when Pakistan proposed the thesis of 'moderate Taliban', who could be included in the new political process, Mullah Omar had asserted that "there is no such thing in the Taliban" and that "all Taliban are moderate." He added, "There are two things: extremism (*"ifraat"*, or doing something to excess) and conservatism (*"tafreet"*, or doing something insufficiently). So in that sense, we are all moderates - taking the middle path."¹⁵ Seven years later in March 2009, when President Obama referred to the possibility of reaching out to reconcilable Taliban elements in an interview to *The New York Times*, the purported Taliban spokesperson dismissed it as "illogical" and said that it "does not require any response or reaction". He asserted that "the Taliban are united, have one leader, one aim, one policy." He wondered as to "why the US is talking about moderate Taliban" and "if it means those who are not fighting and are sitting in their homes, then talking to them is meaningless. This really is surprising the Taliban."¹⁶ In April 2009, Siraj-ud Din Haqqani, son of senior Taliban leader Jalal-ud Din Haqqani, candidly denied the presence of any Taliban moderates who could hold talks with the Americans. He said the Taliban are the ones "living in the mountains, spending sleepless nights and eating dried bread, but struggling to liberate their homeland from occupation forces" and not those who have given up *jihād* and are leading a luxurious life.¹⁷

Moreover, it is pertinent to enquire in the given circumstances as to what extent both Kabul and the West are in a position to lay down terms and conditions for negotiating with the Taliban? How will it impact on the country's constitution, state structures and foreign policy? Are the Taliban guerrillas going to be disarmed or integrated into the upcoming Afghan national army and police? At the socio-political level, is the Taliban leadership willing to work with the minority ethnic groups?

The above issues have far-reaching consequences and need to be addressed with utmost seriousness prior to making any compromise with the Taliban in its present form and position. In fact, talking to the Taliban at the moment will further strengthen its position among its sponsors and supporters across the Durand Line, and reinforce the Taliban resolve to continue with their *jihad*, further undermining the position of the government in Kabul. Similarly, a weak Kabul, and a divided Western coalition working towards an exit strategy, hardly holds any incentive for the so-called 'moderate Taliban' to defect from the hardcore or be part of the reconciliation process. Moreover, a key question is who are the 'moderate Taliban' and how moderate are they? If those willing to cut deals with Kabul or are ready to work with the West are 'moderate Taliban', then to what extent do they matter? The National Peace and Reconciliation Commission too has failed in weaning away any senior Taliban commander or a leader worth the name.

It is understood that national governments do try to reach out to their insurgent or secessionist groups; but any compromise with the core values on which the post-2001 Afghan state is being built will spell doom for the future of Afghanistan and the region. The intra-Afghan dialogue in pursuance of national reconciliation has to be within the ambit of a certain national policy framework. It is equally important to factor in the scepticism of some of the regional countries, especially Russia, India, Iran and the Central Asian Republics, on the issue of reconciliation with the Taliban.

Regional consensus is crucial to national unity initiatives, given the fact that proxy politics remains a defining feature of the Afghan conflict as is evident from the known presence of Afghan Taliban

east of the Durand Line and the ideological and material support they continue to receive from pro-Taliban elements within the Pakistan army, intelligence and militant religious groupings. It is not difficult to understand as to why in the very first place Pakistan ceded control of vast tracts of its north-western tribal areas to the Taliban before launching military operations against them starting from the Swat region. Unless Pakistan gives up its policy of sponsoring and employing religious militant outfits to achieve its foreign policy objectives, all reconciliation initiatives towards the Taliban are bound to fail. Added to this is the core goal of the Af-Pak strategy, which is “to disrupt, dismantle, and defeat Al Qaeda and its safe havens in Pakistan, and to prevent their return to Pakistan or Afghanistan”.¹⁸ What is called for is a comprehensive policy, and not a selective approach, against all extremist groupings active in the Af-Pak region. Otherwise, how about exploring possibilities of reconciliation with ‘moderate al Qaeda’?

Therefore, it is pertinent that the West galvanises regional support and stays the course in Afghanistan. It is imperative for the struggle against religious extremism in the region that state structures are strengthened in both Afghanistan and Pakistan. It is equally important to sustain the military pressure on anti-government and extremist groups unless the Afghan Government has the capacity and the capability to effectively deter such regressive tendencies. Any stop-gap measure or a short-term approach to dealing with challenges arising out of the Af-Pak region will only perpetuate Talibanisation and has the potential to further destabilise the region as a whole. Meanwhile, it will be apt to remember the common Taliban refrain against its detractors, ‘you may have the watches, but we have the time’.

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5

Pakistan Reverts to Democracy but Problems Abound

Ashok K Behuria

Pakistan reverted to democracy after nine years of military rule in 2008. It proved many Pakistan watchers wrong; especially those who apprehended that Musharraf would continue at the helm.¹ There were apprehensions too that the elections would be a hoax and the military would take every possible measure to ensure continuation of his henchmen. The rising popular cry for democracy as well as increasing distance between the retired General and the army he misused to stay in power was not too visible to most analysts. Only a few predicted that Pakistan was in for an interesting political transition.

Through Surprising Turns

Nobody could predict the fall of Musharraf regime so soon after the elections. Even before he resigned, most of the seasoned Pakistan watchers had held that Musharraf would not relinquish his position as Army Chief and with increased powers as President, he would continue in the two offices for some more years. But little did anybody know that Musharraf had been under enough pressure from the civil society in Pakistan, from his own junior colleagues and from external forces known for their influence in Pakistan to relinquish his uniform; first before the elections in November 2007 and then before his Presidency in August 2008.

Even when Benazir Bhutto was assassinated in December 2007, many analysts interpreted it as a symbolic step taken by the military

establishment to invite itself back to power under the pretext that Pakistan was under terrible threat from radical Islamist forces. When elections were postponed, many thought Musharraf would not hold them anytime soon. However, the elections were held as per the new schedule and led to a hung house, with Benazir's party led by her much-discredited husband Asif Zardari or Mr Ten per cent, winning the largest number of seats in the lower house. The elections outlined the triumph of the democratic forces over Musharraf loyalists and showed the popular distaste for radical and religious elements. The liberal-secular and centrist parties secured their hold over the lower house. In Punjab, Nawaz Sharif's party, as expected, trounced the Musharraf-backed PML-Q, a party constituted by defectors from his party. The left-leaning Awami National Party (ANP) swept the religious combine, Muttahida Majlis-e-Amal (MMA), otherwise known as Mullah-Military Alliance, out of power in NWFP. In Balochistan, Baloch nationalists boycotted the elections leaving the field open for the PML-Q to muster up a respectable total.

The results shocked Musharraf and the world. The two main opposition political parties, PML-Nawaz and PPP led by Zardari, tied up to form the government with the ANP and the only religious party, JUI, led by Fazlur Rehman. Until then, the developments in Pakistan happened contrary to the expectations of many seasoned Pakistan observers.²

Back to Familiar Pattern

But exceptions could not have lasted any longer. Pakistan reverted back to its predictable course once the new government set out to fulfil the goals set by itself during the elections and the worst fears of Pakistan analysts came true. The coalition chugged on but the association between Nawaz Sharif's PML and Asif Ali Zardari's PPP, described by many as unnatural, caved in under pressure from Nawaz Sharif to reinstate the judges sacked whimsically by Musharraf. Zardari, beneficiary of the discriminatory reconciliation ordinance by Musharraf that terminated all cases against him and his wife, would not like to reinstate the dismissed Chief Justice,

Iftikhar Muhammad Chaudhury, because the latter had threatened to quash this ordinance shortly before his removal.

In the drama that followed, Zardari assumed control, stole the wind out of the sails of Nawaz Sharif and perhaps with the approval of the new military chief, Pervez Kiyani, successfully forced Musharraf to resign on August 18, 2008. In another dramatic turn of events, to ensure that the all-powerful Presidential position did not accrue to anybody else, Zardari contested and won as President within a month. The unseen, but approving, hand of the military was suspected in all these political developments.

Civil Military Competition Restarts

Soon afterwards, since the middle of the year, the old rhythm of civil-military competition for power set in with all its predictable pattern of interaction in Pakistani politics. On July 27, 2008, a notification issued by the cabinet division said that "in terms of Rule 3(3) of the Rules of Business of 1973, the prime minister has approved the placement of the Intelligence Bureau and the Inter-Services Intelligence under the administrative, financial and operational control of the Interior Division with immediate effect."³ The Prime Minister left for Washington soon after this notification was issued. The reaction from the army was so strong that the government was forced to reverse its decision and it issued another notification saying the earlier notification had been 'misunderstood' and the ISI would "continue to function under the prime minister." "The said notification (issued on Saturday) only re-emphasises more coordination between ministry of interior and the ISI in relation to the war on terror and internal security."⁴ It said a detailed notification would be issued later to clarify the situation.

The competition for power between different branches of the executive came to the fore in the wake of this controversy. At one level, it meant willingness of the civilian government to exert control over the military. At another level, it indicated tussle for power within the civilian establishment as well. Shifting the ISI from prime minister's control to the interior division meant that Rehman Malik,

Zardari's principal advisor on internal security and chief of interior division, would exercise greater control over ISI. The spokesman of the army, Major General Athar Abbas, clearly stated that the government had not consulted the military on the issue and it was impossible for the Interior Division to control a huge organisation like ISI and manage its finances, administration and operations. A visibly embarrassed civilian government lamely defended its position by saying that ISI continued to be under civilian control, because the army also wanted it to report to the prime minister and it was under the control of the cabinet division of the government.

Zardari assumed Presidency on September 09, 2008, with enormous constitutional powers diverted to his office during Musharraf's rule. However, the Zardari government treaded carefully in its relations with the army after the ISI incident. The army would reassert its position and again play the role of a broker in early 2009, when political tussle for power between PPP and PML-N would worsen in Punjab. Above all, the army's preponderance continued despite Musharraf's departure. Rather, soon after Musharraf resigned as COAS in November 2007, the image of army as the sole protector of Pakistani state and nation was restored. The new chief, Kiyani, would not meddle in politics but would zealously guard the position of the army in the Pakistani power structure.

Assertion of Islamists in the Tribal Areas and Elsewhere

As the political scene was getting back to its familiar pattern of open or closed tussle for power in Islamabad, Islamist radicals, who were calling themselves Pakistani Taliban, held sway in the tribal frontier areas. Musharraf's ad hoc policy of thrusting the army sporadically into the tribal frontier and subsequently bowing to Taliban demands emboldened these radical forces and after the Lal Masjid episode in July 2007, when Musharraf was in a way forced to intervene under pressure from the Chinese government, they were itching to grab an opportunity to resurface with their suicide missions in a major way.

In fact, Musharraf's policy of select aggression against radical outfits he perceived as being against his rule and responsible for three suicide attacks on him did not help his government in fighting the radical Islam and strengthen the hold of 'enlightened moderation' in Pakistan. In fact, the display of their destructive might in the wake of the attack on Indian embassy in Kabul (September 2008), bombing of Marriott hotel during Muslim holy month of Ramzan (October 2008) and the Mumbai terrorist attacks (November 2008) clearly demonstrated their penetrative power and their resolve to go all out to impose their writ in Pakistan. As the year drew to a close, the Mumbai attacks had vitiated the regional atmosphere and created a hiatus between India and Pakistan.

The radical forces scored a major victory when the Zardari government conceded to their demand upon persuasion by the ANP-led NWFP provincial government in early 2009. The theatre of radical Islamic assertion shifted from the FATA to the Dir and Swat region during the late 2008. Maulana Sufi Muhammad and his son-in-law, Mullah Fazlullah demanded imposition of Sharia in Swat and Malakand. By early 2008, Mullah Fazlullah, nicknamed as 'Radio Mullah', had established his hold over about 60 villages in the Swat valley and established parallel government there.⁵ After the elections, ANP came to power in the province and offered an olive branch to the Mullah. Maulana Sufi Muhammad was released along with some other activists of Tehrik-e-Nifaz-e-Shariat-e-Muhammadi (TNSM) in April 2008 as a goodwill gesture. However, these deals had little impact on the deeply conservative elements in control of Swat valley. The provincial government entered into yet another deal with Sufi Muhammad and Fazlullah on February 16, 2009. The deal took the shape of an act called Nizam-e-Adl Act and was submitted to President Zardari's office for final consent. As per this act, Fazlullah was allowed to impose Sharia in Malakand division and in return, he declared a ceasefire. However, even if Zardari signed the bill into law in April, Mullah Fazlullah showed no sign of coming under government's control. By end April 2009, the Mullah declared that the deal was dead.

The alarming news of Islamic extremists expanding their area of influence had become the staple of everyday conversation in strategic circles by end May. The Islamists took over Swat and soon occupied Buner, compelling army action in early May. However, the hide-and-seek game played by both the security forces and the militants is likely to continue because the army is yet to convince itself about the need to take on these militants and root out Islamic extremism. It may be acting under increasing pressure from international community, but it has to decide soon on the course of action it would take vis-à-vis Islamic militants.

Pressure on Pakistan to Deliver

The shallow economic foundation of the Musharraf regime made the new government utterly dependent on external help. With the global recession setting in by mid-2008, Pakistan was under tremendous pressure from the world community to toe a line acceptable to the Western countries who would be approached to help out Pakistan. The Afghan situation had worsened by then and the US put pressure on Pakistan to extend its control to the tribal areas. The Pakistan army was under tremendous pressure to allow aerial attacks by US drones from across the Durand line on Pak-Afghan border.

By the beginning of 2009, Pakistan has been asked by all countries to do its utmost to rein in Islamist radicals who were seeking to launch their attacks on other states in the neighbourhood. In view of Pakistan's continuing hostility towards India, Islamabad had used these forces as its proxy in a war of subversion vis-à-vis India primarily to keep India internally engaged and to sap its energy and resources. This had led to a close nexus between Pakistani intelligence and militant outfits, which most regional strategic experts believe, survives to this day. Quite clearly, the planning and execution of the Mumbai attack would not have been possible without some collusion by the state agencies at a certain level.

Indian pressure on Pakistan to conduct proper investigations into the way the Mumbai attacks were planned and launched by Pakistanis now has the backing of the international community.

Interestingly, the pressure from India has acted as a temporary rallying point for disparate groups in Pakistan. The civilian government and the military have come together in a jingoistic spirit and would seem to stay together under these circumstances.

Need to Recognise the Threat

Pakistani authorities have so far chosen not to be seen to be acting under Indian pressure. After almost two months of denial of any Pakistani involvement in Mumbai attack, at semi-official levels, some pronouncement has been made to nab the elements responsible. One only hopes, the government understands the consequences of hobnobbing with such elements.

These elements groomed and trained by Pakistani intelligence to launch proxy war against India in Kashmir have many ambitious agendas of their own. They would rather like to shrug off control of the Pakistan government and force the state to embrace an orthodox and radical version of Islam. They are intensely sectarian in their approach and will keep using violence as an instrument to force their choices on the people of Pakistan. It is high time the privileged elite in Pakistan understands this problem. If they do not, they must know that they will soon be swamped by gun toting mullahs. They may not overrun the military but they will certainly pose a critical challenge to the state of Pakistan and make it even more fragile than it is today.

An Indian Perspective: Will Pakistan Collapse?

The roots of the Pakistani malaise lie in the half-hearted democratisation and liberalisation of Pakistani society. All moderate leaders, including Ayub Khan, the Bhuttos and Musharraf have been great liberals out of office and great Islamic-enthusiasts in it. The baby steps each one of them has taken to relax the hold of Islam on society have not lasted beyond their tenures. Each one of them has stooped to the wishes of the clergy in some form or other. The Islamist impulse haunting Pakistani statecraft has compelled them to strike deals with the mullahs and legitimise their antediluvian interpretation of Islam.

The minority feudal elite, which has been ruling Pakistan since its birth, is religious, but abhors the clergy. The majority wallowing in poverty, illiteracy and disease in the rural hinterland respects the clergy and regards them as alternatives to the self-seeking feudal upper-crust, who rule over them in the name of democracy. Both these groups fear the clergy. That keeps the religious mullah alive as a socio-political force to reckon with. The elite is reluctant to shed power. The masses, especially in the tribal hinterland, are apathetic towards democracy. The utopia offered to them by the mullahs is more attractive than the spectre of a non-functioning democratic state, which is represented by either the avaricious tribal malik or the tribal paramilitary khasadar, who exercise little control over them. "The situation is so dismal, nothing sort of a wholesale socio-political transformation will cure Pakistan of the ills it is suffering from today. But is Pakistan ready for that?", said one Pakistani interlocutors.

Interestingly, deep underneath, there is a constructive jealousy that has started operating among the urban youth in Pakistan. They are ready to shy away from the official dictum that Pakistan is every-inch different from India; it is what India is not. The global recognition of India as a democracy and a liberal society, despite all its lacunae, has drawn their attention. They are the torch bearers of tomorrow in Pakistan. There is also a critical mass emerging within Pakistan, which is willing to get engaged with the liberal and democratic India. New Delhi needs to engage this constituency to fight out the anti-Indian sentiments propagated through official media and literature. It will cost India nothing to perpetuate the unofficial lines of contact, which have proliferated since January 2004.

India, like Pakistan, or for that matter any other country, does have a constituency of hard-core realists, who argue that this is the right time to pin Pakistan down, to put pressure on Pakistani government and force it to eat the humble pie on Kashmir and Islamic militancy. Little do they realise that this will not help. The elite of Pakistan is a victim of its own propaganda and strongly believes that succumbing to Indian pressure will amount to negating the basis of Pakistan's

identity. Any pressure exerted by India has to be reflexively warded off. The eat-grass-make-bomb mindset is still in operation here. How can India tackle this elite is the million dollar question agitating the minds of various analysts in India these days.

Side-by-side there is a realisation in India that Pakistan does have the ability to come up as a functioning democracy, courtesy the success of the lawyers' movement. The assertion of liberal voices in the non-official multiple tracks alive even today despite suspension of official talks has also assuaged the Indian fear that Islamist militancy might overwhelm Pakistan. The propensity of the mainstream political parties to push for dialogue with Pakistan has also registered in the Indian mind, even if its leaderships are under the heavy sway of the military, which has an inertial aversion against India. Liberals in Pakistan will urge their Indian counterparts to look at the sorry spectacle of their foreign minister advocating peace a couple of hours before the Mumbai attacks to realise how helpless the political masters are in Pakistan today. Against this backdrop, there is a liberal voice rising in India which urges the government to allow contacts with Pakistan to proliferate at all levels. Such action promises to reduce the level of anti-India feeling in Pakistan.

Those celebrating the collapse of the Pakistani state in India need to remember that it will only bring Taliban closer to Indian frontiers. If Pakistan divides into four or five states that could complicate India's security concerns. One will not expect a wounded Punjab to roll back its Kashmir jihad. It is also too early to expect that other states, Balochistan, Sindh and Pakhtunkhwa included, will shed their hate-India reflex so easily. If India can not have a friendly neighbour in Bangladesh, it should stop hoping such states emerging from the ruins of Pakistan will be automatically pro-India. In that case, splintered Pakistan may pose a complex challenge for India in future. In order to have a friendly and moderate Pakistan, India has no option but to engage it despite its weaknesses and anti-India biases.

End Notes

1. For instance, Husain Haqqani, well known political analyst from Pakistan (and currently Pakistan's Ambassador to the United States), wrote in 2006 that

Musharraf would not give up power so easily after elections then scheduled in 2007. See Husain Haqqani, "History Repeats itself in Pakistan", *Journal of Democracy*, 17 (4), October 2006, pp. 110-124.

2. Most of the well known commentators of liberal persuasion like Hassan Askari Rizvi, Ikram Sehgal, Ejaz Haider, Rasul Baksh Rais and many others urged Musharraf to quit and backed the lawyers' movement in favour of return to democracy. However, there was a deep seated suspicion that the military led by Musharraf would continue to prevail. Anybody following English media in Pakistan and acquainted with the writings by the above quoted commentators would agree with this point of view.
3. *The Dawn*, July 28, 2008, p.1
4. *The Dawn*, July 29, 2008, p.1
5. Reported in *The New York Times*, February 25, 2009.

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Part III

Trends in Regional Security Implications:

West Asia - Central Asia

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6

Insecurity Dynamics into and from West Asia

Gulshan Dietl

For every action, there is an equal and opposite reaction.

Newton's Third Law

West Asia is one of the most insecure regions in the world. In fact, it will not be exaggeration to describe it as the most insecure region in itself and a source of insecurity for the world at large. A meaningful explanation of this unique phenomenon deserves to be located in a wider framework and in a longer time-span. This paper proposes to build backward linkages and create a relevant context within which the issue of security/insecurity can be located.

The Cold War Context

The Cold War did not have the same salience in West Asia as it had in the rest of the world. Europe had its Berlin blockade; East and South East Asia had the Korean and Vietnam wars, respectively; Americas had the Cuban Missile Crisis; and South Asia had Afghanistan. When we look at West Asia, there were no eyeball-to-eyeball confrontations or proxy wars. Next to West Europe, West Asia became the second-most important theatre where the US energy and attention was focused. It has continued to remain so to date.

What were the Soviet assets in West Asia during the Cold War? The People's Democratic Republic of Yemen (PDRY) was the only Arab Marxist state. There were Marxist political groups and political

parties in various countries. The Soviets had the home port facility in Basra in Iraq apart from Aden in the PDRY. They had good relations with Syria, Libya and Algeria - partly because these countries had bad relations with the US. Conversely, the Soviets played an active role in the Dhofar insurgency in Oman, because Oman was a close ally of the US. These were the assets with which the Soviets were seeking to play a role in West Asia.

As a result, the initiatives that they took or the responses that they made were not very effective; especially at the critical junctures in the turbulent period of the Cold War. In early fifties, when the then US Secretary of State, John Foster Dulles, withdrew the US offer to build the Aswan Dam in Egypt, the Soviets promptly agreed to replace their rivals and did it. Today, the Aswan Dam stands as a symbol of Cold War political wrangling in the Arab world and a symbol of a successful Soviet bid to “win the hearts and minds of the people”. However, this highly visible sign of the Soviet presence did not translate into a lasting Soviet influence in the Arab world.

In 1956, there was a very notorious tripartite aggression against Egypt by Israel, France and Great Britain. The only thing the Soviet Premier Nikolai Bulganin did in the circumstances was write a letter to the US President Dwight D. Eisenhower suggesting a joint and immediate use of their navies to stop the aggression. When the 1967 war was being planned by the then Egyptian President, Gamal Abdel Nasser, the only thing the Soviet leaders did was to tell him to be cautious. In the most telling instance, when Anwar al-Sadat – Nasser’s successor – was planning and preparing for a war with Israel, he first very dramatically expelled 150 Soviet military advisors. That signalled a complete 180 degree shift in his strategic alliance and external orientation before he fired the first shot.

By the early 1970s, Soviet influence had declined even more. It was a period of détente with the US. Additionally, as the British were preparing to withdraw from the “East of Suez”, the US was moving to fill in the vacuum. And Nasser was dead. The end result of these cumulative developments was that the Soviets were reduced to the status of a marginal player.

By contrast, the Americans were influential as well as active in the region. George F Kennan's long telegram laid down the ideological underpinnings of the US foreign and military doctrine throughout the Cold War. His advocacy of containment of the Soviets gradually, but unmistakably, became a policy of active containment; at times aggressively proactive. The two major goals of the US policy in the region – oil and Israel – were already in place at the commencement of the Cold War. From then onwards, these two have continued to remain the twin drivers of US policies in West Asia.

A close scrutiny of the US presidential doctrines reveals a common thread running through them – all of them are directed at West Asia. The Truman doctrine, the Eisenhower doctrine, the Nixon doctrine of “Two Pillar” policy, the Carter doctrine, the Reagan doctrine of “Strategic Consensus”, and George H W Bush's call for a “New World Order” – all these doctrines to which US Presidents lent their names during the Cold War were directed at West Asia. The trend continued with Clinton and George W Bush.

There is yet another measurement of US involvement in the region. An overwhelming number of vetoes the US has cast in the United Nations Security Council have been on issues related to the region; more specifically Arab-Israel issues. In short, the US has had high stakes in the region and it has played a highly aggressive role to secure them.

The Post-Cold War Context

In the aftermath of the Cold War, George F Kennan's “containment” was passé. It was Brzezinski who sought to step into the void of a big-frame, long-range security strategy. His seminal book, *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives*,¹ addressed the momentous developments in the vast Eurasian landmass after the demise of the Soviet Union. He defined Eurasia as the area stretching all the way from Lisbon to Vladivostok and prescribed three grand imperatives of imperial geostrategy: prevent collusion and maintain security dependence among the vassals, keep tributaries pliant and protected, and keep the barbarians from coming together. The worst-case scenario, according to him, was a

grand coalition of China, Russia and perhaps Iran, an “anti-hegemonic” coalition united not by ideology, but by complementary grievances.

There was a consensus within the US defence establishment during the 1990s to seek global primacy; only the method remained to be agreed upon. The supporters of unilateralism won over those who argued for multilateralism. Less than compliant friends, allies and international institutions would have to be discarded. The missions would determine the *ad hoc* alliances. In case of the war on Iraq, it would be the “coalition of the willing”.

In September 2002, the Defense Planning Guidance (DPG) – a vintage report dating back to the George H W Bush administration - finally reached its official imprimatur as the National Security Strategy (NSS). “Deterrence is dead”, it declared; “pre-emption” was the new mantra. The US would use “unquestioned military preponderance” to stop any other state from acquiring military power “surpassing or equalling the power of the US”. An unrivalled dominance of the world in perpetuity, in short. With the war drums beating in the background, the NSS was a declaration of war.

According to the recently released declassified documents by the National Security Archives, the origins and evolution of the DPG go back to the immediate aftermath of the Gulf War of 1991.² The 15 documents featured by the Archives were drafted between June 1991, just after the first Gulf War, and January 1993 when the then Defence Secretary Dick Cheney released an official, if euphemistic, version of the controversial DPG. Most of the documents are, however, redacted.³

The declassified documents shed a completely different light on the US war on Iraq. Chronologically, the war on Iraq came after the war on Afghanistan. In reality, it has a much older vintage and a much longer genealogy. Nine-eleven was a distraction - almost a nuisance - in the planning and preparation of the war on Iraq. A military conquest, its pretexts had to be invented and repeatedly asserted to justify it to the domestic and world opinion.⁴ A different pretext would have been found if 9/11 had not happened.

An Insecure Region

It is this backdrop against which the sources of insecurity from the region need to be examined. West Asia denotes all the Arab countries in Asia plus Turkey, Iran and Israel “ roughly 25 states and nearly half-a-billion people. It has been the birthplace of three monotheistic religions; Islam, Christianity and Judaism. It has been the location of three ancient civilisations; Pharaonic, Mesopotamian and Dilmun. Geographically, it is at the tri-junction of Asian, African and European continents. Geologically, it contains roughly 65 per cent of global oil reserves and 40 per cent of global gas reserves.

In West Asia, like in most of the Third World, the states that acquired independence were not necessarily the same that had gone under the expanding shadow of colonialism/imperialism. The pre-colonial situation there was still more fluid. Through its long and chequered history, the national borders have moved back and forth in an almost featureless landscape. Most of the state borders are of relatively recent origin and, at times, arbitrary. Some were drawn on a piece of paper that did not necessarily reflect the reality on the ground. Additionally, the colonial powers arrogated upon themselves the tasks of “drawing lines on the map, appointing rulers, elaborating structures of bureaucratic administration and taxation, even training and equipping armies.”⁵

Creation of Iraq proves the point. It was not just the clubbing together of three distinct provinces but also of three distinct peoples; Sunnis, Shias and Kurds. The nation-building exercise in such a contrived entity was daunting to begin with. The sheer arbitrariness of the country’s formation, together with the absence of any developed tradition of state stability and the degree of ethnic and sectarian heterogeneity, produced an extremely divisive society. Even today, Iraq is perhaps the most fragile political entity.

The state in West Asia is fragile. Additionally, the supra-state ideologies of Arabism and Islamism as also the sub-state sectarian and ethnic affiliations render it vulnerable. The processes within the state are defined by non-participatory politics, rentier economy, youth-bulge demography, patriarchal social order and sectarian/

ethnic strife. Between and among states, disputes flare up every once in a while. It is an insecure region. Today, there are far too many points at which an orderly process of change may snap. And when that happens, there can be a chain reaction from the micro to the macro level and vice versa.

Insecurity has manifested itself in four broad trends. The first is the divisions within the region. Here, one can cite a very seminal work done by Malcolm Kerr. His book is called the *Arab Cold War*. Whether it is the Intra-Arab Cold War, whether it is Saudi Arabia versus Egypt, whether it is Arabs versus Iran, whether it is Arabs and Iran versus Israel - this area has always been divided. There has always been a rift or a fault line, a division.

The second is the almost continuous conflicts in the region. There have been four major Arab-Israeli wars. There still is the creeping Israeli colonisation of the Palestinian land and brutal suppression of the Palestinian people plus a 20-year long occupation of the Lebanon and the blitzkrieg over Iraq's nuclear reactor. There has been an eight year-long Iran-Iraq war. There was an Iraqi occupation of Kuwait. And finally, there have been two US wars on Iraq, military interventions in Lebanon and bombings of Libya. The list does not include skirmishes, low-intensity conflicts and covert operations.

The third is the phenomenon of terrorism. Terrorism is totally securitised today. It is discursively constructed as a security problem of existential importance and immediate urgency. Therefore, it should demand and justify resort to extraordinary measures, according to conventional wisdom. Debates and questions are rendered irrelevant in such a situation. Terrorism is not region-specific nor is it a new phenomenon. Its antecedence and expanse go much further back and sprout far and wide. West Asia has generated the largest incidence of the phenomenon, nevertheless.

And the fourth development is the revolution in Iran. For Eric Hobsbawm, the age of the revolution happened between the late 18th to mid 19th centuries. According to him, it was in these years that the US Revolution took place, the French Revolution happened, the Industrial Revolution emerged, and slaves rose up in revolts in

Latin America. This is Hobsbawm's interpretation of the age of the revolution.

There have since been lots of advances on the theory of the revolutions. John Foran, one of the foremost theorists, prefers to call the 20th century the age of the revolution. He asserts that except for the Soviet Revolution at the very beginning of the 20th century and the revolutions in East Europe towards the end of the 20th century, most of the revolutions in the 20th century happened in the Third World countries. He singles out five revolutions and calls them social revolutions in the aftermath of which the social and political changes reinforced each other in a mutually consolidating way. These were the real revolutions. Iran was one of them; Nicaragua, Mexico, Cuba and China being the other four.

Insecurity Linkages

Security/insecurity has been the central issue in international affairs. Traditionally, it meant security of a state under attack from another state, which could result in war in which case threat, actual use and management of military force would be considered. With a greater diffusion of conventional weapons and a wider proliferation of weapons of mass destruction (WMD) since the end of the Cold War, security has acquired an even larger profile. It has, additionally, become a contested concept. Security for whom; states, groups or individuals? Security from whom; states, non-state actors or nature itself? As the debate continues, there is an increasing acceptance of a broad, holistic understanding of the term that incorporates what is variously called comprehensive security, human security, non-military security, non-traditional security and so on. It is, thus, perfectly legitimate to speak of gender security, economic security, and societal security.

Today, West Asia is the most highly penetrated region in the world. Most of its problems can directly be traced to this circumstance.

The issue of Palestine and the endowment of energy resources provide the strongest linkages between insecurity in the region and its fallout beyond. The Israeli military occupation of Palestinian land

is an abiding source of problems in West Asia. Israel claims a legal right to statehood on the basis of the United Nations General Assembly resolution 181 of November 1947. That resolution envisioned an independent state of Israel, an independent Arab state and an international city of Jerusalem. Only the first of its provisions has been realised to-date. In fact, Israel occupied 78 per cent of Palestinian land in a war in 1948 and the rest in a war in 1967. The unswerving bipartisan US support for Israel has led to a decades-old occupation of Palestine, a creeping colonisation of its land and the brutal suppression of its people.

The vast stocks of oil and gas have not been unmitigated blessings. Unlike other aspects of non-traditional security, energy security has been very closely linked with military security. Very often, it is the powerful state consumers seeking to preserve an uninterrupted supply of energy at an affordable price, who threaten and use military force. At times, it is individuals and groups within the energy-producing countries seeking to resist energy-driven foreign interventions, who disrupt the supplies.

An extensive US military presence in the region and its control of the oil trade and oil economy globally are persistent causes of the region's grievances. The Iraqi oil was an important consideration in the Gulf war of 1991 as also in the war that was launched in 2003. In his book, *The Age of Turbulence*,⁶ former Chairman of US Federal Reserve Board Alan Greenspan emphasised oil as a major reason for the Iraq invasion: "Whatever their publicised angst over Saddam Hussain's 'weapons of mass destruction', American and British authorities were also concerned about violence in the area that harbours a resource indispensable for the functioning of the world economy. I am saddened that it is politically inconvenient to acknowledge what everyone knows: the Iraq war is largely about oil." The US occupation in Iraq has resulted in death, destruction and suffering on a massive scale; two million Iraqis have fled the country, two million more are internally displaced and a million have lost their lives.

Newton's Third Law – 'for every action, there is an equal and opposite reaction' – may not be applicable in the rough and tumble

of international political realm. It does, though, provide an explanation of the insecurity dynamics into and from West Asia.

End Notes

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7

Security Challenges in Central Asia and the Shanghai Cooperation Organisation

Meena Singh Roy

The developments in and around the Central Asian region, its enormous hydrocarbon resources and the geopolitics has drawn the attention of the international community towards this strategically located region. Perceptions about the region and the existing reality are somewhat different, and have changed over time. In the 19th century, Russia and Great Britain saw it as the prize of their “Great Game.” In the 21st century, it became the backyard of the Soviet Union and in the 21st century, it emerged as independent “Stans” or Ex-Soviet Space”. After 1991, the region was viewed as mostly unstable and fragile. 9/11 once again renewed international interest in the Central Asian region. The great powers were seen jostling with each other for enhancing their role in the region. In the subsequent years, the US tried to club the Central Asian region with Southern Asia. Some experts also used the term ‘Greater Central Asia’ but the Central Asians have preferred to be viewed as a Eurasian region rather than any other term coined by outside powers.

Despite widespread perception that the region is mostly unstable and fragile, over the past 18 years the Central Asian Republics (CARs) have been able to strengthen their sovereignty and have consolidated their territorial integrity. GDP growth rates have improved (see Table I).

Importantly, the CARs have been able to contain their differences arising out of border and water disputes. Critical security issues,

which could have had a negative impact on the regional security, have not been allowed to cross the threshold of conflict. It can be argued that Central Asia is a unique region which has Soviet heritage and still has been able to preserve its Asian spirit. It is truly a Eurasian region. However, this is not to deny the fact that Central Asia continues to harbour serious long-term security challenges. In addition to traditional security risks, it is exposed to a completely new set of challenges in the changed security paradigm which is still unfolding. In all five republics, there is very slow process of economic and political reforms. This has resulted in a buildup of many unsolved problems. More importantly, power remains resolutely in the hands of a few in all the states. The problem of corruption is compounded by the illegal narcotics trade. The other security concerns have been mainly the threat of religious extremism, WMD threat and small arms proliferations, ethnic issues, management of water resources and environmental problems.

The present study attempts to evaluate the effectiveness of the Shanghai Cooperation Organisation (SCO) in addressing the new security challenges faced by the Central Asian region. It argues that the SCO has assumed a new geopolitical role in the Central Asian region and its influence is likely to increase in future. However, the relevance and viability of the SCO as a multilateral body would depend on how it evolves in the next ten years. Will it be a security organisation or a regional economic forum? Will it be an anti-terrorism coalition or a military alliance? Will it become a centrepiece for a new great game? Or, will it expand into a multilateral forum addressing both security and economic challenges in Central Asia? These are some of the critical questions, which would set the future course for the SCO.

Altered Regional Security Paradigm and New Security Challenges

Over the last six years, the regional security environment in Central Asia has been significantly altered and the current situation is much more nuanced than what it appears to be. Some of the important features of this changed security paradigm are:

Emergence of New Geopolitical Pressures in Central Asia

9/11 and the subsequent military operation in Afghanistan brought the extra-regional power US to the Central Asian region. This resulted in a wider geopolitical game in the resource rich region of Central Asia. Thereafter one witnessed a competition among the major powers "Russia, US and China" guided by their own long term and short term interests to enhance their influence in the Eurasian region and gain greater control of its energy resources. This brought in geopolitical pressures on the smaller Central Asian States who then tried to manoeuvring between the interests of major powers through their "multi-victor" foreign policy. The Central Asian states continued to depend on these powers to provide security and much-needed economic aid to the CARs.¹

The US-led anti-terrorist operation in Afghanistan was seen by Central Asian states as more effective than the effort being taken by the SCO. All these states not only completely supported² the US war on terrorism but also started building intensive relations with the US and its NATO allies on other issues of regional security. The ruling elites in most of the CARs regarded the US/NATO military deployment as an effective guarantee of their survival against radical Islamist and extremist forces. They supported US invasion in Iraq and some of them even sent their own military personnel there. Some Russian scholars argued that during this period "the SCO continued to lose credibility as a regional security organisation and was sliding into another international political forum with an unclear agenda and lacking effective mechanisms of implementing its own decisions."³ Though unhappy with the new situation which was unfolding in CARs, Russia and China could do very little to bring about any major change. The SCO continued to lose its credibility as a regional security organisation and functioned as an international political forum with an unclear agenda lacking effective mechanisms of implementing its own decisions.

However, the regional security architecture changed significantly in 2005 after dramatic events in Kyrgyzstan and Uzbekistan.⁴ Both these events seriously alarmed ruling elites in CARs that their staying

in power was no longer threatened by forces of international terrorism and extremist Islamist groups but also by the US which was supporting the 'colored revolutions' in the region. The changed attitude of the Central Asian regimes created a situation, which provided a new geopolitical role for the SCO. In July 2005 (during Astana Summit) the SCO member-states called the US to set a deadline for withdrawing its military presence from the region. As a result US had to close the down its air base in Uzbekistan in November 2005.

Hereafter, the overall strategic position of US in Central Asian region weakened. A clear winner in this situation was the SCO whose role as a principal guarantor of Central Asian security was recognised by regional states. Another important development came with the inclusion of India, Pakistan and Iran as observer state in July 2005. This widened the role of the SCO to encompass the Southern and West Asian region.

From China's point of view, SCO provides a perfect political and economic mechanism to contain the Uighur separatist movement, access to Central Asian energy resources and economic benefits. China continued to use the SCO to become the regional leader. This was also articulated by some scholars in their writings. According to them "China should build its strategy on the SCO; it should consolidate its positions and improve its mechanism to get rid of its functional shortcomings in order to make it the regional leader".⁵

For Russia, this forum provides an opportunity for strengthening its political, military and economic ties with CARs and for engaging China economically while balancing the US influence in the region. For the time being, cooperation between Moscow and Beijing within SCO and further improvement in their ties may serve as a counterbalance to US Central Asia policy. However, in the long run Russia would not like to see China as a dominant power controlling the energy resources and enhancing its influence in its own backyard. The aforesaid geopolitics does not create a healthy foundation for a stable and secure environment essential for economic development in the Central Asian region.

Emergence of Conflicting Ideologies

In the current geopolitical environment, the region has been exposed to the conflicting ideologies, namely, Western democratic trends, Soviet ideological trends (the quasi-democratic), and Islamic ideological trends. The US and other European countries want to see liberal democratic states in the region. In this context, the Central Asian regimes have often blamed the Western countries for their policy of regime change through “color revolution”. At the same time countries like Russia and China have promoted and supported the existing regime without bothering about the question of democracy. In addition, countries like Saudi Arabia has been supportive of Islamic ideological trends in this region. These conflicting ideological trends add to the existing problems which CARs are facing today.⁶

Fluidity in Afghanistan

The re-emergence of Taliban forces and deteriorating situation in Afghanistan poses serious security challenge to the Central Asian States. Afghanistan has always drawn special attention during the SCO summit meetings. The negative effect of instability in Afghanistan for the Central Asian countries has been emphasised in various SCO summit meetings. This was reiterated by the SCO Secretary General Bolat Nurgaliev in 2006 when he said that, “The situation in Afghanistan remains unstable, which might pose a threat to its neighboring SCO countries. So it is imperative to deepen cooperation between the two sides within the framework of SCO-Afghanistan Contact Group.”⁷ According to him, this cooperation should not only cover economy and trade but also anti-terrorism and other fields.

The radical Islamist sentiments have escalated in response to the US-led operations in Afghanistan and Iraq. Fundamentalist movements in Afghanistan and Pakistan have exploited this situation to create its support base to carry out jihad and destabilise this region. Instability in Afghanistan is likely to spillover to Central Asia as well. The Islamic Movement of Uzbekistan (IMU), whose stated goal has been to overthrow Islam Karimov’s regime, was

weakened in the aftermath of the US war against terror in Afghanistan. But it has once again increased its activity in the region and has also expanded its goal to include entire Central Asian region and Xinjiang region of China. It has been renamed as the Islamic Movement of Turkistan (IMT).⁸ Therefore, instability in Afghanistan has serious implications for entire Central Asian region and particularly for Tajikistan, Uzbekistan and Kyrgyzstan.

Uzbek President Islam Karimov during the SCO summit had expressed concern over the militarisation of Afghanistan. He urged the international community to focus on the resolution of social and economic issues. Expressing his concern about the problems in Afghanistan, he said “We are alarmed by the situation in Afghanistan and growth in drug production and trafficking. Stability in Afghanistan has to be found in the resolution of internal social issues rather than further militarization of the country.”⁹

As an immediate neighbour of Afghanistan, Tajikistan has been the victim of negative influence of instability in Afghanistan in the past, which led to the bloody civil war for many years. It also experiences the spillover effect of the illegal drug flow. During the recently held conference in Moscow, Tajik Foreign Minister Hamrokhon Zarifi pointed out that problem within Afghanistan can not be settled by military means and by using force. According to him “socio-economic revival was and remains the most efficient factor” to bring about changes in Afghanistan. He said that “We believe that the implementation of programmes on sowing alternative agricultural crops may become an important factor in eliminating cultivation of opium. There is no mechanism for the fight against illegal circulation of drugs within the framework of the SCO, which is why we again confirm the Tajik president’s proposal to create a third centre for fighting illegal circulation of drugs in Dushanbe”.¹⁰

Competition for Controlling the Energy Resources

There is an intensifying international competition to control the energy resources of the Central Asian region. While China is busy signing major deals with Kazakhstan and Turkmenistan to build pipelines and acquire oil and gas for its economic growth,¹¹ Russia

is trying to retain its control over the existing energy pipelines and pen new energy agreements with Central Asian states.¹² At the same time, the US and EU have been trying to provide more options to diversify their energy supply away from Moscow and Beijing. EU has come out with its new Central Asian and energy security strategy. The change in the foreign policy course in Turkmenistan has opened new opportunities for the EU to cooperate with Turkmenistan in energy sector. The media reports suggest that Turkmenistan has agreed to supply 10 billion cubic metres of gas every year to EU. In 2006, Washington came out with new plans and worked towards creating a stronger Central-South Asian energy and trade links to counterbalance Russian influence. Richard A. Boucher, Assistant Secretary of State for South and Central Asian Affairs stated:

“Our goal is to revive ancient ties between South and Central Asia and to help create new links in the area of trade, transport, democracy, energy and communications. At the same time, we seek to preserve and enhance the ties of Central Asian countries to Europe, especially through organisations like NATO and its Partnership for Peace (PfP) and the Organization for Security and Cooperation in Europe (OSCE) as well as the important interests Japan has in Central Asia.”¹³

In last few years this scramble for Central Asian energy resources has broadened to include uranium. The Central Asian states have uranium reserves, particularly Kazakhstan and Uzbekistan (see Table II). In future, one is likely to see countries competing for acquiring the uranium. It is expected that Kazakhstan will soon acquire the second place in the world in terms of its uranium reserves. While these energy resources have brought economic gains for the Central Asian states, it has also resulted in bringing in great geopolitical rivalry to this region, contributing to instability in the region.

Effectiveness of the SCO in Dealing with Security Challenges in Central Asia

There are different views articulated by experts on the question of how effective has the SCO been in addressing the security challenges

in the region. While some, mainly Chinese and Russian experts, believe that in last 10 years SCO has moved from just settling border issues towards addressing security problems in the region and now working towards greater economic cooperation among member-states. Others, mainly western and some Central Asian experts, have questioned the effectiveness of the organisation calling it a "Geopolitical Bluff"¹⁴. It is argued that the SCO is a mechanism to maintain current regimes in power and a mechanism for creating opinion to counter balance US influence in the region.

Despite these varied views, the SCO has emerged as an important regional organisation in the Central Asian Region. Established in 2001, the SCO has come a long way. Though it was set up in 1996, it was not until 2004 that its two permanent institutions "the Secretariat and the Regional Anti-Terrorism Structure" began to operate.

So far, the results for SCO have been somewhat mixed. The SCO has managed to settle border issues among the member-states. Though, the organisation claims that it adheres to a pragmatic and incremental approach to multilateral problems, most delicate issues were resolved bilaterally. Owing to inter-state rivalry, the Central Asian states too preferred to adopt bilateral rather than multilateral channels. It is being strongly argued that Central Asian states reached border delimitation and also water sharing agreements with China without ever consulting Moscow.¹⁵ Some Central Asian experts believe that despite commonalities of interests of the member-states in addressing issues of counter terrorism, religious extremism, just at the moment of serious security threats this organisation remained quite passive and ineffective. Central Asian states have been expecting more productive participation by SCO in the solution of their vital interests.¹⁶

On the issue of extremism, it is believed that SCO has not been able to deliver much. It is argued by Oksana Antonenko from (IISS) when Russia and China have not been able to address their own internal problems, to what extent can extremism should be put on the agenda of SCO. According to her such a mechanism would not work in Central Asia. Shirin Akiner feels that SCO has not been able to do much as these are internal matters and the organisation needs more

time to mature. Some Kazakh scholars are of the opinion that the regional anti-terrorist structure under SCO is mainly an analytical centre. So far in Central Asia there are instances of only bilateral cooperation and not multilateral. The rivalry between Kazakhstan and Uzbekistan has been one of the impediments in this process. Moreover, the CIS counterterrorism center is concentrating more on Chechens whereas SCO is focused on containing the Uighurs. Therefore, the fight against terrorism in CARs too has become a victim of geopolitics.

Afghanistan has been on the agenda of all SCO summit meetings. Against the background of President Obama's new Afghanistan-Pakistan Strategy, Russia's increased overtures under President Dmitry Medvedev to boost cooperation with the US and NATO in Afghanistan and recent initiative of the SCO to host an international conference on Afghanistan, the SCO will only be able to play a marginal role in Afghanistan because of its inherent contradictions, economic limitations and bilateral dealings.

More importantly, Afghanistan's absence in SCO makes it even more difficult for the SCO to play any significant role in Afghanistan. Despite Russia's recent emphasis on addressing the question of stabilising Afghanistan, the US and its Western allies will continue to play a major role in Afghanistan. It is important to note that despite Washington's repeated accusation of Pakistan's support to Taliban, it will continue to rely on Pakistan to address the problems in Afghanistan. However, under the new US administration, Iran's role in Afghanistan has been acknowledged. But future relations, would depend on how US-Iran relations would develop in the coming years.

In this context, some of the regional experts believe that "Hopefully the Obama Administration with their newly declared desire of "engagement" would be more receptive in coordinating their efforts with the SCO or at least with member countries on a bilateral basis. Hopefully, there will be a stabilisation programme jointly developed and implemented by Afghanistan Dialogue member countries. With mounting problems stemming from the NATO presence in Afghanistan, the role of regional countries including that of SCO

may increase especially in the light of President Obama's policy of restoration of Afghanistan's regional ties."¹⁷ Russia because of its past experience is only willing to expand cooperation with US and NATO forces in Afghanistan, short of sending troops. In fact, it was made very clear by the SCO Secretary General that any military involvement of SCO member country in Afghanistan has not been contemplated so far.¹⁸ The aforesaid analysis clearly indicates that the SCO will not be able to play any major role in Afghanistan.

It is often argued by the Central Asian states that the attention is given to the security concerns of bigger SCO member-states as compared to serious security concerns of the entire region. During the Beshkek summit, the Uzbek President raised an important issue where he highlighted the growing tensions among the SCO member-states around water resources and warned that such a situation could bring about conflict among the Central Asian countries. It was perhaps felt that problems faced by smaller states were not getting due attention while interests of major powers were given priority.

On the issue of the economic integration and cooperation in the Central Asian region within the SCO framework it has been pointed out by Russian officials that without economic cooperation, the SCO will be irrelevant. One can not be very optimistic about this for the following reasons. Firstly the SCO has not been upgraded to international level; secondly, it lacks funds to implement various economic projects; and thirdly, there is lack of interaction at person-to-person level; and finally one does not know if this mechanism is working or not.¹⁹

One can enumerate various reasons for the lack of conclusive positive results of the SCO. Some are:

- The region lacks expertise and resources to start institutionalised cooperation attempts from within the region.
- The absence of political will and confidence.
- Difference in economic status of member-states.
- Competition with other organisations, lack of resources for development, and cultural differences and domestic challenges of CARs.

- Opposition from the countries that are left out has been a major source of weakness.
- Lack of clear direction for cooperative endeavours has prevented its forward movement.

SCO Secretary General during his recent visit to India highlighted the limitations of the SCO. He pointed out that there is a need to perfect the organisational structure and go on building political trust among member-states. It was articulated that the time gap between decision making and actual implementation of projects taken up by the SCO delays the whole process. Often, priority of national interest over regional by member-states creates problem for any forward movement. It was noted that the current financial crisis will have some impact on various economic projects taken up by member-countries of the SCO.²⁰

Some experts believe that the SCO is at a crossroads. It has been articulated in Chinese writings that the shortcomings of the SCO restrict the forward movement of the organisation. It is argued that the CARs are particularly involved in lot of wishful thinking. The resources are less for development, therefore SCO cannot fulfill all its goals. It is also not active enough in international relations. And finally, lack of ties among member-states due to cultural differences makes it difficult to have any meaningful cooperation among SCO member-states.²¹ The Tajik experts are of the strong opinion that the question of implementation of various declarations is more important than merely having them. They have emphasised the need of cooperation based on consensus in SCO.

The other important issue which merits attention is, will the SCO become a military alliance like NATO? The increasing defence cooperation within the framework of the SCO, the Peace Mission 2007 and SCO-Collective Security Treaty Organisation (CSTO) ties have led some observers to see the SCO emerging as an eastern response to NATO. The Russian media have even called it "Warsaw Pact II" and "Anti-NATO". SCO officials on their part say that the organisation is "pretty rudimentary". However, it would be unlikely, given the nature of the complexities in Central Asia, for the SCO to

become an “OPEC with nukes” or “Asian Warsaw Pact”.²² Both China and Russia have also denied any possibility of the SCO becoming a rival to the US and NATO. The Russian and Chinese Defence Ministers have stated that “We do not consider the SCO to be a bloc opposing someone.”²³ At the same time it is unlikely that China and Russia would allow the US to intervene and interfere in their backyard.

Conclusion

While regional dynamics in Central Asia will continue to create new challenges for the Central Asian regime it will also offer opportunity for cooperation and engagement for these states to address these security challenges. Future security dynamics in Central Asia will depend on how regional and extra regional powers address the challenges and opportunities for cooperation arising within Central Asia. But the Chinese, Russian and American national interests in Central Asia and Afghanistan will continue to determine the future course of security and stability in the region. Confrontation among the major players is unlikely, but competition to acquire greater influence in the region is likely to intensify in near future. The rise in Chinese and Russian influence and the US attempt to create a support base for its long-term strategy in South Asia and Persian Gulf region is likely to bring about realignment of regional and extra regional powers in the region. The Central Asian response to this new strategic environment will determine the future developments, both negative and positive, in this strategically important and resource rich region.

The future of SCO would depend firstly, on how it addresses the conflicting interests of the member-states and other regional and extra regional players in the region. Secondly, how cooperation and mutually advantageous equality would serve as the basis of relations among the member-states and states with observer status. Thirdly, the question of expanding the organisation would also determine the scope and larger role for this organisation. Fourthly, the SCO’s success in economic cooperation would be conditioned by the smaller SCO member-states, which fear that their resources may be exploited by bigger members. The geographical configuration and

political composition of SCO reveal the asymmetry among its member-states. This and other concerns of the smaller states will have to be taken into account by the bigger nations-China and Russia. It is important to see that Central Asia doesn't become an area of great power rivalry resulting in fragmentation and deep division of this region, pushing it into greater instability. Regional solutions to regional problems are always more effective and less vulnerable to outside intervention.

Table- I

GDP Growth in Central Asian Republics (Annual %)

Year	2001	2002	2003	2004	2005	2006	2007	2008
Kazakhstan	13.5	9.8	9.2	9.4	9.4	10.6	8.6	8.9
Kyrgyzstan	5.3	0.0	7.0	7.0	0.6	2.6	4.0	5.0
Tajikistan	10.2	9.5	10.1	10.6	6.7	7.0	7.5	7.1
Turkmenistan	20.2	19.8	23.0	21.0	10.0	9.0	8.5	8.5
Uzbekistan	4.4	4.2	4.4	7.7	7.0	7.3	7.4	7.1

Source: Asian Development Outlook Database

Table- II

World Uranium Production, 2005 (major countries)

Country	Tonnes	% of total
Canada	11,628	27.96
Australia	9,519	22.88
Kazakhstan	4,357	10.47
Russia	3,431	8.25
Namibia	3,147	7.57
Niger	3,093	7.44
Uzbekistan	2,300	5.53
Total	41,595	100.00

End Notes

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Part IV
Energy Security

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Prospects of Energy Cooperation between Iran and India: Case of the IPI Pipeline

Ali Biniiaz

The Iran-Pakistan-India (IPI) pipeline, a long-stalled project conceptualised more than a decade ago by Rajendra K. Pachauri of India in partnership with Ali Shams Ardakani of Iran, despite criticism and the likelihood of a change in dynamics due to the US factor and perhaps China's willingness to join the deal in order to replace India, yet seems worthwhile for reconsideration on its initial footing. It can not only provide genuine contributions to the economic development and integration of Southwest Asia, but also beyond that, it can prepare the grounds for further regional cultural ties and civilisational interactions with worldwide implication at large.

After presenting an overview of the political economy of the IPI pipeline project and its degree of fitness to the future energy requirements of India, this paper emphasises on the instrumentality of this project for going beyond its earlier envisioned contribution through offering a viable solution to "the regional nuclear imbalances", establishing a "regional gas grid system" and boosting a new "ethic-oriented civilisation" with "humbleness" and "honesty" at its centre. This way, there would be a chance to offer jointly moral good to the West and spread peace, stability and prosperity throughout the region as well as in the world.

The proposal for construction of a pipeline starting from the South Pars fields in Iran to Pakistan's major cities of Karachi and Multan and then further onto Delhi, has its origin in the negotiations of the late 1980s and early 1990s of the governments of these three

countries.¹ This pipeline, later called “the peace pipeline”, has been viewed as a venture to induce not only potential changes in the face of regional politics of South Asia but also the general regions of Middle East and Asia by challenging the geopolitical, historical and strategic realities of the countries involved. Hence, a direct relationship between the pipeline venture and the landscape of conflict resolution and economic prosperity in the Southwest Asia and later on the whole of Asia and Middle East was envisioned in the first place.

As for the merit of this project, some questions may arise: Why has Iran decided to export natural gas in the first place, especially when it is a big gas consumer at home? Why has Iran decided to export natural gas to the Asian markets and ignore market opportunities elsewhere, in particular Europe? Is the capacity offered by the IPI pipeline consistent with the medium to the long run energy requirements of India? Regarding Pakistan as a country on the route, what real challenges could this project face and what opportunities does it offer? How will this project’s success impact on our imagination of the region’s future? In particular, is there any link to be conceived between this pipeline project and the promotion of a new mode of social life and civilisation in future?

To elaborate on these sorts of question, the paper has been organised in the following manner. Section 1 gives an overview of the political economy of the IPI pipeline. Section 2 talks about the degree of fitness of the IPI pipeline to the energy requirements of India. Section 3 explains the challenges and opportunities ahead of the IPI pipeline project. Particular emphasis in this section is placed on the envisioned “one source-one route” risk, as well as the “US factor”. Furthermore, it argues that the IPI pipeline project not only can offer a genuine cause for regional economic cooperation but also promotes a new regional civilisational and cultural lifestyle.

An Overview of the Political Economy of the IPI Pipeline Project

Estimated at 812 trillion cubic feet (Tcf), Iran has the second largest natural gas reserves of the world. Iranian natural gas consumption

is currently high, however the country is resolved to expand its natural gas exports. Firstly, due to its recognisable dependency on oil and gas revenues to meet its demand for modernisation and running the government budget and secondly, as a result of having shared a huge natural gas reserve in the South Pars field with the high gas-use neighbouring country, Qatar.

Having settled this, there are two questions which need elaboration: Firstly, why has Iran opted to serve the Asian gas market? In other words, despite having other export options, why does Iran seem to be in favour of the IPI pipeline project and hopeful of its cooperation with India and Pakistan in the gas sector? Secondly, what is the status of negotiations over the IPI pipeline project? What comes in the next two subsections, are brief answers to these questions.

Why has Iran Opted to Serve the Asian Gas Market?

Firstly, long lasting political tensions between Iran and the West, especially with the US Government and its key allies in Europe, like the UK in the post-Revolutionary era, seems to have urged Iran to reorient its preference for the export of natural gas towards Asian emerging markets, specially India and China.

Secondly, this reorientation may have also some connection, albeit not very apparent, with the Russians' strategic choice as the world's largest producer and holder of natural gas reserves.² Russia has vigorously showed its willingness to serve the European gas market as in the past and has sufficient incentive and motivation to deter newcomers like Iran from entering into the European market. If so, then Russia may feel more comfortable if Iran, as its biggest competitor in the field, turns its back on the European users and instead attends to the niche Asian markets. However, despite this willingness, it would not be difficult to assume that if Iran shows any signal for readiness to play a role in the European gas market, it would have strong supporters within that community despite the Russian dissatisfaction and the ongoing nuclear dispute with the West, as Europe is outraged with Russian desire for monopoly.

Thirdly, one can assume that Iranians' desire to serve the Indian and Pakistani gas markets, may find its root in the historical ties

and common culture. It is long since Iran more often than not has shown a tendency of some sort towards some integration with the Southwest Asia. To some extent, this tendency seems to be a continuous variable but with ups and downs across different political regimes in Iran. Even today, Iran has assigned one of its top diplomats to the Secretariat of the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) in Mauritius. Therefore, the new tendency in serving the South Asian gas market should not be treated as something odd and irregular. Even in Iran's National Vision 2020,³ approved two years ago, the idea of economic integration with the West Asian region has been explicitly outlined as a direction of regional policy. A careful historical examination may show that the Shah of Iran had also tended to reorient its foreign policy away from the crisis stricken region of Middle East and towards South and West Asia.

Of course, one should not forget that due to long history of interaction with Europe, the Iranian lifestyle, education and technical know-how have been traditionally shaped around the Western products, social norms and tastes. Despite this, the predominant impression is that common cultural characteristics of the two countries of Iran and India, and Pakistan, may have been accountable for such a desire to reach the Asian markets. The two countries of Iran and India are culturally big pillars and well-known old civilisations of the world. Both have been home to remarkable religions that target "personal responsibility" and "effective action" before god, although characterisation of god may differ according to their different reading. Both have long been home to social desires for "purity", "humbleness", "justice" and "avoidance of arrogant behaviour, treatment and bullying other nations."⁴ We will come back to this point later in the paper.

The Dynamics of the IPI Pipeline Negotiations

Despite the sheer interest shown continuously by the two governments of Pakistan and India for giving the IPI pipeline project a fresh blood, on the ground and in terms of the dynamics of the negotiations, it seems that considerable changes are underway and there is a scope for more in future. That is basically due to the recent

reluctance⁵ of the Government of India to show up decisively in the trilateral negotiation along with the governments of Iran and Pakistan. Obviously, India has vested high interest and hope in the materialisation of its nuclear deal with the US,⁶ as it sees the deal as a gateway towards getting access not only to the global nuclear technology and know-how but also to other high tech in general, which it needs for speeding up its economic growth and development.

However, this reluctance seems to have been creating room for manoeuvre for Pakistan, as it views India as its main regional rival. Therefore, Pakistan has signalled its readiness to work with China rather than India as a partner in the project and recommended that to the Government of Iran.⁷ But even before this and in the first place, Pakistan would prefer to win the deal in a bilateral context if possible, as it is ambitious to become a regional energy hub, specially given the long-run energy requirements of China is concerned. China strategically has a desire not only to reduce its dependency on the sea lanes which are traditionally being patrolled by the US navy but also open an overland shipment of oil and gas, for which the Pakistani port, Gwadar is a key point.⁸ In response to this development, Iran has been calm and patient, although as a first best policy, it prefers to work with India given their long common cultural and historical ties with India. Newcomer China, on its part, has expressed its willingness to play a role in the game if given a chance.

However, despite India's reluctance in the pursuit of the IPI pipeline project which has been attributed to the progress of India's nuclear deal with the US, the former relates its reservation to the proposed pricing mechanism by Iran, security concerns about the Pakistani pass-through territory, and very recently, to a lack of domestic demand for the high-priced Iranian gas. Here two points seem worthwhile of further perusal:

1. Concerns⁹ have been expressed in the West as well as in the US. Likewise there are concerns in India over the viability and long run benefit of the deal, and of the global security impacts and consequences of a nuclear deal between India and the US. The

deal is now concluded and finalised. Hereafter, it is India who should make its stance clear about whether it is going to proceed with the IPI project or stay out forever. It is anticipated that India will try to buy time through accommodating the negotiations in a conditional manner and make the US Government little by little consent and/or ultimately take advantage of some unknown favourable developments in the years to come. However, given the ongoing interactions, it seems less likely that India can succeed in this way. There is also a chance that India altogether is in a mood to close its eyes to the long run prospects of Iranian sources of energy supply, as it dislikes to be muddled in the ongoing but prolonged political tensions between Iran and the West at large. Under this scenario, India would see the Iranian problem with the West as so chronic and deep in nature that it does not believe in any likelihood of recovery in a sufficiently long time horizon. This position systematically seems to be consistent with the current methodology of the Indian Government to prioritise maximisation of its national benefits in foreign policy on a corporatist standing. However, this strategy hardly may succeed and there are alternative but less costly ways for India to fulfil economic progress and prosperity, especially when not only Indian information and biotechnologies are in demand on a global scale, but also its skilled manpower. However, ignoring this possibility, it seems that time is still on the Indian side. For instance, on August 4, 2008, there was a media report that the negotiation over the IPI pipeline project between Iran and Pakistan was cancelled due to the replacement of Zafar Mahmood, Pakistani's Deputy Minister of Petroleum and Natural Resources, with his successor G.A. Sabri.¹⁰ However, if viewed impartially, India can surely be better off with the IPI pipeline project, especially if it views the pipeline as an instrument and stimulator of further mergers and regional economic integration with cultural and civilisational ties and implications.

2. As voiced very recently, if India's problem with the IPI pipeline project is really a lack of domestic demand for Iranian gas given

its high quoted prices, then there could be two solutions to this problem:

The national petroleum company of Iran may be able to run the whole of the IPI pipeline. Therefore, it can invest in the whole project and sell natural gas to different geographical locations in India quoting discriminatory prices based on elasticity of demand. This way, Iran has this advantage to release its natural gas residue to India and Pakistan and after that it allocates whatever natural gas it needs for industrial and housing uses in different seasons and indeed there is no obligation to sell certain amount of gas to countries located on the route. Therefore, the IPI pipeline provider will act like one of the private providers of natural gas in India and Pakistan.

A second solution to the problem could be if the IPI pipeline is looked at more in the form of the first phase of a “network of regional natural gas pipelines” or more appealingly, as a “regional gas grid system.” Hence, the project is not only carrying natural gas from point A to final destination point B, but circulates in the region, crossing previous points of delivery so that the whole region will have the choice being served on an equal basis. Under this scenario, a consortium of national oil and gas companies of the countries in the region, along with or without the international oil and gas well-known companies invest in the project and define suitable ways for production, distribution and consumption of natural gas in different points of the region. The IPI pipeline would then be a starting point for establishment of a regional gas grid system. However, as our main discussion here is about the IPI pipeline project involving the three countries of Iran, Pakistan and India as original partners and Pakistan is an intermediary destination in the deal, the rest of discussion is viewed from India’s perspective.

The Degree of Fitness of the IPI Pipeline for India’s Energy Requirements?

To make an assessment about the merit of the IPI pipeline project in satisfying energy demands of India, one way is to look at the relative place of natural gas as a source of energy in the energy mix of India, say in the next 20 to 30 years. The second way is to look at the actual

need of Indian economy towards Iranian natural gas given the short and long time horizon. We first discuss the relative importance of natural gas in Indian energy mix.

How Important is Natural Gas in Indian Energy Basket?

Technically, and in principle, natural gas is a preferred form of energy compared to oil and coal for electricity generation. This could be read easily from the following table.

Table 1

Natural Gas Competitive Economic Advantage in Power Generation

Type of fuel	Capital cost per KW gen.	Higher thermal efficiency	Construction period
Natural gas plant	650 \$	45- 50 %	2-3 years
Coal-fired plant	1300 \$	30- 35 %	5 years
Fuel-oil fired plant	1000 \$	30- 35 %	4 years

As in Table 1, the capital cost of generating one kilowatt of electricity with a plant fuelled by natural gas would be US\$650. This figure in the case of a plant fuelled by coal or fuel-oil would be, relatively, US\$1300 or US\$1000. In terms of thermal efficiency, while that of a power plant fuelled with natural gas would be 45-50 per cent, in case of plants fuelled by coal and fuel-oil, it would be 30-35 per cent. Lastly, the construction time for building a power plant fuelled with natural gas roughly takes 2-3 years, while in case of a power plant using fuel-oil and coal, 4 and 5 years, respectively. These are three important benchmarks on the basis of which one can be assured that natural gas would be a preferred fuel for power generation compared to coal and oil. This argument also applies to case of producing fertiliser.

However, while natural gas is a preferred power generation fuel, India is not in relative abundance of it. According to geo-economics of India, coal constitutes more than 50 per cent of Indian energy mix in the next 30 years, of which 70 per cent goes to power generation. On the other hand, oil which constitutes more than 35

per cent of future Indian energy mix in the next 30 years, again 70 per cent goes to transportation sector. Coal has a huge transportation cost as it has to move from the east and southeast of India to other parts.

Natural gas not only has high end-use efficiency, but also is much easier to carry from one point to another. However, it is also faced with infrastructure constraints and for it to be further produced within the Indian Territory, it needs to be extracted from the deep sea with considerably higher costs, as domestic production is anticipated to plateau at 44 million tonnes of oil equivalent in 2012. Therefore, based on domestic production constraints, the Indian energy map for 2030 recommends import of natural gas from destinations like Turkmenistan, Bangladesh, Iran and Myanmar. Comparatively and in terms of geo-economics of countries of import origin and factor abundance in them and with view to the high cost of exploration and production of natural gas from deep sea bed, Iranian natural gas seems to be the best choice as far as satisfying energy requirements of Indian economy in future is concerned. Alternatively, one may think about power generation via nuclear energy. Clearly, India has decided to produce 70 giga-watts of electricity from nuclear energy within the next 20 years or so. However, this amounts to only 0.6 per cent of energy mix of India at that time. Of course, later on and perhaps in the next 50 years power generation through utilising nuclear energy with thorium-based reactors may go up to 530 giga-watts which is considerable. Last but not least, power generation using renewable energy and hydro has its own limitations. Renewable energy and hydro both have low capacity utilisation and also high upfront cost. It can be concluded that the import of natural gas from Iran via a pipeline or a regional gas grid system, would be preferable from any consideration.

Long Run Energy Requirements of India

To assess the merit of the IPI pipeline project to satisfy energy demands of India over different time horizons, one way is looking at the dependency of Indian economy on natural gas in the short run and long run. Our benchmark for the short-run assessment

would be an analysis prepared by R. K. Batra, a well-known Indian energy expert in an article titled: “Gas without border.”

With view to the balance of natural gas in the Indian 11th Plan (2011-2012), Batra has asserted that the free space in the national gas grid to be fed by the IPI capacity would be as small as 6 millions cubic meters per day, while the promise of the IPI pipeline for Indian delivery would far exceed this figure. Details are given in Table 2.

Table 2

11th Plan: Demand/Supply of Natural Gas (2011-12), (MSCMD Unit)

Demand	281
Supply: ONGC	41
Private JV	57
KG Basin	94
Imports: LNG& Pipeline	89
Total	281

Having reflected the balance of supply and demand of gas of the 11th plan, Batra wrote:

“On the supply side a lot will depend on the extent to which the Krishna-Godavari Basin discoveries by Reliance and other companies can be brought onshore and marketed through pipelines. If these numbers are assumed to be realistic, the new LNG plants that are proposed and existing gas plants after expansion could supply as much as 83 leaving just 6 by the pipeline from Iran.”

It is hard to believe that India with its sizeable rate of economic growth even in the short run would prefer to ignore the inflow of the IPI pipeline. However, Batra’s statement might have been an educational guess, with a big “if” in front of it concerning the fulfilment of the promise of new discoveries. Equally, it could be used like a tactic to soften the position of Iranian negotiators’ vis-à-vis their Indian counterparts in bargain over the price of received natural gas via the IPI pipeline.

To obtain an understanding of the long-run energy requirements of the Indian economy, our argument is based on two documents: (1) “Modelling of an energy demand analysis for the period of 2005-2030” and (2) “National Energy Map of India: Vision 2030.”

Modelling results of the energy demand for India between 2005 and 2030 shows that Indian primary energy consumption within this time bracket will grow by 4.3 per cent, i.e. from 0.38 billion tonnes of oil equivalent (btoe) to 1.1 btoe. During this period, oil dependency will rise from 71 per cent to 92 per cent, as domestic oil output falls from 800,000 barrels a day to 600,000 barrels a day and national demand for oil increases from 2.7 million barrels per day to 7.9 million barrels per day. The demand for two primary sources of energy, that is coal and natural gas, will also increase, respectively, by 3.4 and 4.4 per cent.

Secondly, a glance at the two remarkable scenarios indicated in the “National Energy Map for India: Vision 2030,” namely “business as usual (BAU)” and “High efficiency (HE),” makes this point clear that the share of natural gas in India’s energy mix will remain high in future, i.e. as high as 6.4 per cent of total energy mix in BAU scenario and 8.8 per cent in HE scenario. Of course, this increase needs to be met from some foreign source given that the domestic profile of gas production will plateau soon.

Table 3

India’s Long Run Energy mix as in “National Energy Map for India: Vision 2030”

Energy forms	2001 BAU (PJ) 11917	2001 BAU (%)	2030 HE (PJ) 64537	2030 HE (%)	2030 BAU (PJ) 88879	2030 BAU (%)
Coal	6233	52	35121	54.4	49222	55.4
Nuclear	71	0.6	534	0.8	534	0.6
Hydro & Renew.	294	2.5	1739	2.7	1716	1.9
Natural Gas	1049	8.8	5693	8.8	5693	6.4
Oil	4240	36	21450	33.2	31714	35.7

Table 3 has been constructed from the data available in a Sankey diagram used by the “National Energy Map for India: Technology Vision 2030”. The unit of account for the figures in Table 3 is petajoule. Each petajoule equals 31.60 million cubic meters of natural gas. A comparison of columns 2 and 4 above shows that in business as usual (BAU), Indian energy demand will increase from 11917 PJ in 2001 to 88879 PJ in 2030. However, if the Indian economy will be empowered enough to travel along the path of high efficiency scenario, then total energy needed in 2030 would be 64537 PJ, which is a considerable improvement over the BAU scenario.

Other important points that emerge from Table 3 are: Firstly the share of natural gas in India’s energy mix in 2030, would be either the same as in 2001, i.e. 8.8 per cent, under the high efficiency (HE) scenario, or a little less than that, i.e. 6.4 per cent, under the BAU scenario. Secondly, the share of nuclear energy in the energy mix of India in 2030 would be either the same as in 2001, which is absolutely low, i.e. 0.6 per cent, under the BAU scenario, or slightly above that, i.e. 0.8 per cent, under the HE scenario.¹¹

The latter observation is important for an understanding of the nature of the Indian nuclear deal with the US is concerned. This deal is firmly defended by the Government of India on the pretext of its vulnerability to acquire nuclear energy for power generation in future. However, as it has been shown above, looking forward in a decade or so, the share of nuclear energy in primary energy mix of India compared to natural gas and oil would be ignorable. It is true that in the following 50 years, potential of nuclear energy would be much higher; however, there are many other improbables that may have to be factored in.

The third point is that it is true that the share of oil in the energy mix of 2030 is about 35 per cent, nevertheless, 70 per cent of the consumed oil would go to the transportation, for which there is no tangible improvement envisioned at the moment. At the same time, India’s oil dependency would go up from 71 per cent in 2005 to 92 per cent in 2030 and Iran remains a major source of oil supply in future.

The Challenges and Opportunities ahead of the IPI pipeline project

At first glance, it seems that there will be three challenges ahead of the IPI pipeline project. Likewise there will be three opportunities. Challenges include the so-called “one source-one route risk”, “security concerns over the Pakistani pass through territory” and last, but not in any sense the least, the so-called “US factor.” Opportunities may include the prospect of using the pipeline as an “instrument of regional cooperation and conflict prevention,” which could later take on the shape of a network of natural gas pipelines in the region; “civilisation implications” of the pipeline; and economic integration in the Southwest Asia envisioned as a result of “cumulative logic of integration.” This latter is particularly important in bringing about major national and regional economic initiatives, like introducing “regional innovation initiative” and “a real asset approach to the investment in the gas sector” in the aftermath of the world financial crunch of the recent past days. Each of these points is elaborated ahead.

The One-Source-One-Route Risk

In principle, diversity is better than reliance on one source of energy supply” in this case, Iranian natural gas. However, acquiring alternative sources of energy for India are not only costly but also risky. For instance, an alternative but relatively sustainable gas pipeline that could feed India would be like the one connecting Turkmenistan through Afghanistan and Pakistan to India. Clearly, while in the case of the IPI pipeline, there is only one intermediary country in the pass-through segment to India, i.e. Pakistan; in the case of the Turkmenistan pipeline, number of intermediary countries will go up to 2, i.e. Pakistan and Afghanistan. On the grounds and in real terms, while Pakistan is a common factor between the two proposed pipelines, Afghanistan, an annex to the Turkmenistan pipeline, is likely to be more instable and insecure.

Apart from the Turkmen pipeline and the provision of natural gas from West Asia, clearly acquiring natural gas from North Africa is

not without problem. The reason is that the Chinese with their greater degree of economic management and enthusiasm for such projects, better financial tools available and more determination and resolve have been able to compete fiercely for the lion share of the oil and gas resources available in North Africa. India has not been able to achieve the same results in this sector. Therefore, as previously mentioned, not only the cost of further exploration and production of natural gas, say from deep sea basin, would be unaffordable or at least economically difficult choice for the Indian economy, but also the cost of alternative sources of energy would be comparatively higher than the cost of natural gas delivered by Iran via pipeline.

Other than this, a sustainable solution for the one source-one route risk would be looking at the IPI pipeline project as a first phase of a regional gas grid system. Here the idea is clear: Both Iran and Pakistan are two leading members of the Economic Cooperation Organization (ECO). Therefore a natural gas partnership among ECO+1, whereby ECO member-states along with India to gradually build a regional gas grid system would be a viable solution. This option not only removes the source of one source-one route risk, but also reduces the endemic tension between Pakistan and India and also gradually removes the source of security concerns over the pass-through area of the pipeline in Pakistan's territory. With a gas grid system in mind, neither Iran nor Pakistan can have discretion in letting the natural gas flow in future or preventing it. Other than this, the neighbouring countries will have a greater advantage in making the network of pipelines safe in reality. At the same time, this network will lead to greater economic linkages and integration in future, boosting regional employment.

The US Factor

By US factor here, we mean blockades put implicitly on the way of energy cooperation between India and Iran initiated in the context of the IPI pipeline by the US Government. However, India's reluctance to give in to pressure gives the project a go ahead chance.

Looking back into the 1970s, one may find overwhelming evidences to support this point that the US current suspicion over the nature

of Iranian nuclear programme is not something new. In other words, unclear mistrust between Iran and the US has been a continuous variable between the two governments since early 1970s. In particular, it is not difficult to show that apart from the psychological mismatch between these governments, India's peaceful nuclear test on May 18, 1974 had a great impact on this, now historical, suspicion along with the hike in oil prices as a result of the Shah's strategy in the OPEC.

The nuclear test conducted by India seems to have changed the dynamics of mutual expectations of Iranians and Americans. Therefore, Americans as a result pushed for signing a bilateral agreement on the transfer of nuclear technology with Iran. Equally and on the opposite direction, Iranians tried to intensify their efforts in building nuclear power plants. They tried to get help from western countries other than the US in nuclear sector, for instance, Germany and France. A huge amount of money, roughly \$2 billion a year in the last years of the Shah's regime to the national nuclear project, according to Etemad, then the Head of Iranian Atomic Energy Agency. The Iranian regime has not only refrained from meeting US demands in signing an atomic bilateral agreement, but also decisively tried to increase its presence and voice in the IAEA through redoubling financial contribution from \$7,000 a year to \$100,000. Further, the regime took an active position in the IAEA's affairs and began objecting to Americans' initiated club diplomacy (i.e. formation of London Club on the nuclear issue) and opted for counterbalancing measures like holding an international conference on the transfer of nuclear energy in 1977 in Takht-e Jamshid, while openly criticising the US position on the nuclear issue. Last but not least, the Shah tried to engage in a coalition building effort with Indian Ocean region countries in order to solidify and strengthen his nuclear position vis-à-vis Western powers.

A glance at the chronology of activities of those days may show that Americans in response tried to control nuclear desires of ambitious governments like Iran, Pakistan and India by proposing the establishment of a regional nuclear fuel cycle. Recalling one of the US-Iran Joint Economic Commission sessions, Etemad refers to this idea, which was initiated by Henry Kissinger, then Foreign Minister

and Head of the US Delegation, in that it was preferable for countries like Iran and Pakistan whose scope of their nuclear programmes were not so big to pursue their own independently designed fuel programmes profitably, to participate in a regional fuel cycle. However, Etemad rejected Kissinger's offer and relates the story:

"This way, he [Kissinger] wanted to take the sovereign right of making decision about fuel cycle away from a state, so that production of plutonium and its use would not remain under discretion and control of a single country. I responded: "Can you imagine such a regional organization in which countries [with absolutely contradicting views] like Iran, Pakistan, India, Iraq, Turkey and the rest of Arab countries would be a member..." Kissinger thought for a while and replied that I had been right. Such a thing would not be practical. How would it be possible that in a crisis stricken region like Middle East, a technical and economic organization with such high sensitivity could be shaped? Then he looked at his colleagues and asked whether I had already shared with them my new idea and if so why they had not already informed him of the matter? As a result, the file of establishment of a regional center for handling nuclear fuel came to an end and Americans no longer discussed about the matter. (p. 58-59)

This indicates the extent of US historical suspicion about Iran's nuclear programme, at least partially and in a significant way, could be triggered by the Indian nuclear test of 1974. It is true that the US administration during George W. Bush changed its perception and understanding of the Indian nuclear programme on the pretext of viewing India as the largest world democracy; nevertheless, this administration is yet to decide about the scope, implication and future of the Pakistani nuclear programme, while at the same it is fighting the Iranian regime for the latter's ambition in going nuclear peacefully.

If the argument is constructed as above, a viable solution seems to lie in helping these three programmes join each other as Kissinger had proposed earlier, thereby reducing the scope of uncertainty about the nature of each. Unfortunately, despite this possibility, the US administration, focusing on creating a nuclear illusion, tries to

deepen the divide among these three countries, by offering a nuclear deal to India and encouraging it to establish friendly relationship with Israel, at the same time rejecting any recognition and compromise towards Pakistani nuclear programme and worse, imposing economic sanctions on Iran and forcing it to terminate its nuclear enrichment programme. A glance at the text of US-India nuclear agreement, in particular, “riders of statement of policy” suffices to tell that where India’s relationship with Iran is in the mind of American Government. Apart from this, the fact of the matter is that the real potential of the US nuclear deal in terms of its contribution to India’s long-term energy requirement would be less than 1 per cent relatively as mentioned before.

Some Indian analysts justify the necessity of this nuclear deal on the basis of its indirect contribution towards transfer of high technology to India, which India is so vulnerable to. In response to this assertion, one should remember the following points:

Firstly, the revolution in the fields of information technology, biotechnology and nanotechnology and related industries, at which Indians compared to other nations are in much better position, may provide new opportunities for the developing countries to grow economically at a much faster pace.

Secondly, as a result of this revolution, it is now common knowledge that the developed nations may shift up the ladder of world economic comparative advantage by moving from “manufacturing” and “knowledge-based economy” to “conceptual economy”. This movement will surely guarantee opening of new niches to be filled by developing countries like India. Therefore, what is going to be achieved naturally and as a result of world market dynamism, need not be attained through risky projects and rigid bilateral agreements (read commitments to the US), especially if some of these projects are by their very nature as nationally and regionally sensitive as the nuclear deal with the US.

Thirdly, it is now well understood that the Indian economy will be better off if engaged in multilateral trade activities rather than bilateral free trade agreements. This judgment is made by the

Carnegie Endowment institution. Carnegie's report says that India will be six times better off under a multilateral trade agreement in the WTO's Doha Round than from free trade agreements with the EU, US, or China. Polaski in his report asserts that for India, more success will be realised if it creates jobs through stimulating domestic demand rather than engaging in export-led growth.

All in all, what seems to be at stake and a source of concern from the viewpoint of the US administration is the potential of cultural and civilisational ties that may be revived between Iran and India. However, it seems that realisation of close bilateral relations between Iran and India, especially through cooperation on the IPI pipeline project not only would not be detrimental to the US benefits but may also help both Iran and India to utilise their economic potentials and thereby boost peace and stability in the region and the whole world. India will grow once it has a better picture of future and a helpful expectation over the security of its future energy requirements. Likewise, Iran will also be better off economically and be more helpful regionally and in terms of geopolitics of the region.

Opportunities Ahead of the IPI Pipeline Project

The importance of the IPI pipeline project, which is now and after the conclusion of the Indian nuclear deal with the US believed to be dead by many analysts, lies in the fact that it can boost regional economic integration in the Southwest Asia. The basic idea is clear. The principle of "cumulative logic of integration" tells us that cooperation in one area may lead to cooperation in another area until full integration takes place. This would be attained through outstanding increases in the level of "trust" and "social capital" among players involved as a result of their continuous interaction in a series of consecutive activities in goodwill. This, in particular, is true with a pipeline passing through different geographical points, creating employment, economic growth and prosperity for the people along its path. This impact could be further amplified and sustained once the pipeline is going to give its way in future to the gradual establishment of a "regional natural gas grid system" including all of the neighbouring countries. The establishment of a gas grid system in our region seems to be a noble initiative and in

its totality acceptable to people and politicians of different walks of life with varying degrees of agreement about regional integration. Therefore, the idea of the IPI pipeline project once settled can be viewed as a first phase of a regional gas grid system, which has numerous promising implications, of which some are as following:

Firstly, it is well-known that pipeline diplomacy is one of the most effective and powerful instruments of conflict resolution and confidence building in a region. This is because, contrary to other instruments of economic integration, utilisation of a pipeline, even if it encounters a brief disruption of its product sometimes in a short run, in the medium to long run does not seem to be reversible. Therefore, while a rise in nationalism, for instance, may bring an end to the globalisation processes, in the case of a pipeline such a thing is unlikely. This is due to its nature of being mutually beneficial, especially if it is going to open the window towards establishment of a regional gas grid system. Thus, the only required legal condition for its setting to be sustainable is that it should be designed in a way that no one loses and everybody constantly wins.

Secondly, the main advantage of a pipeline and a regional gas grid system is that it can provide an equal chance of growth for all the parties involved; at least as far as energy requirement is concerned. This implies that we would expect that our region will grow in a balanced way and hence, economic integration, growth and development would result in the aftermath of the IPI pipeline project, although with some delay.

Thirdly, while the IPI pipeline project has in its design backdrop the support of historical linkages, surely economic integration and growth stimulated by this project may have common cultural and civilization implications. Iran and India have been both home to "humble" views and lifestyles as well as friendly and helpful attitudes towards others. Iran, a historical source of cultural inspiration for India, is subject to various sanctions and pressures by the US allies, as a result of its bold stance in the face of Western arrogance. Even today Iran proclaims that it would be ready to negotiate with the US if the latter changes its language of power and forgets its past arrogant behaviour and treatment. Apart from

sharing humble attitudes towards others, Iran and India have been the birthplace of major religions.

Back in history and into the eighth century BC, a new body of research has showed that an evolution had taken place with respect to the core concept of religion. That is, while previously “personal responsibility” was not part of a religious practice, thereafter it appeared to be a central part of religion. This has been true for both Islam and Buddhism, the dominant religions of Iran and India. Clearly, Iran is home to Islam, but India is not only home to Islam, but to a much greater extent, home to Buddhism. This big diversity in terms of culture and religion and strength and power in terms of having a huge Muslim portion in the population profile may be a source of prosperity or misery. Put it differently, from one side, this diversity may imply that not only India can remain a pivotal part of any analysis about planning for the future of economic growth and development of the West Asian region, but also the ultimate destination of regional growth and economic integration, which is to be sparked by the IPI pipeline project, could be a marvellous civilisation full of joy, humbleness and ultimate prosperity. From the other side, with this much of cultural diversity, if India is not ready to utilise its cultural heritage and civilisation capacity for the better-ness of the region in a concerted and indigenous manner to boost a civilisation campaign, it may go along the course of suffering, with terrorism as a threat.

Putting apart this discussion and looking from the perspective of future global changes, we may realise that a boost for presenting a humble civilisation to the world is worthwhile. Clearly, revolution in information technology and introduction of new technology will have huge economic implications both in the developing as well as developed countries of the world. The presuming phenomenon in the Western world and its subsequent creation of a large non-money economy, aging pattern of population in the West and what Toffler has called it: “cramming for the finals”, de-synchronisation in the pace of development of public institutions and private ones, degeneration of social values and an increase in the level of social uncertainty, among others are main sources of future concerns in Western society which may find its way into the revival of the age

of religion. In such a visionary circumstance, what would be the response of India as a potentially great country in terms of having high chance of economic growth in decades to come? Does India intent to imitate the Western lifestyle with these arrays of social problems ahead and hence become subject to the same pressures and sources of social degeneration, or does it intend utilising its economic and cultural comparative advantages, being a diversified but prosperous community with numerous but acceptable lifestyles and a source of hope for modifying and changing the wrong aspects of ongoing life and civilisation in the West?

The current administration in India perhaps believes that it can run simultaneously beneficial bilateral relations with different politically opposing units on the basis of pursuing its national interest, regardless of the fact that how hateful these regional nemeses look at each other. The case of following prosperous bilateral relations with the state of Israel¹² while emphasising on relations with Iran, is an example. This means that seeking international respect and honour, India would be more comfortable to have well-established relationships with each "Iran, Israel, Arab states and the US Government" without necessarily bothering itself with the difficulties that these countries may have with each other. They might have been perhaps impressed by the recent considerable amount of economic growth they experienced and the accommodation and appreciation they have received from the US administration on the nuclear issue being commended as the largest world democracy. Boosted by this, the ruling elite, if criticised for undermining opposing domestic views, will respond that their domestic nemesis would soon politically be dead and in any likelihood, would not be a binding element in Indian politics in the near future.

Being a sincere friend of India, Iran is hopeful that India would succeed with its new approach to the regional development, economic growth and world politics. Surely, any economic success for India would be considered as a sort of success for Iran, although when the turn comes to the reciprocity of ideas, Indians may not share this statement given the current profile of their foreign policy. Of course, our good wishes for India would continue apart from the

fact that our bilateral relations or multilateral cooperation like the case of the IPI pipeline would gain sufficient credit to proceed or not. Again, it is worthwhile to mention that this state of mind with respect to India does not lessen anything from Iran's good feeling and sincere hope for the betterment of neighbouring Pakistan, even though this might come to our Indian friends strange. Nevertheless, time may show that it would be a valuable spiritual asset, as well, for the future of India.

As for the IPI pipeline project, although Iranians are sincere in their demand for the pipeline deal, however, on the basis of a strategic view, a delay in export of natural gas despite progressive increases in construction costs with the passage of time, should not be a great concern to Iran. Faced with a rapidly changing global environment, Iran perhaps needs more time to recognise which policy direction would be beneficial to its national interest. So, the rule of thumb for any foreign gas and oil deal, would be: "the later the better". But apart from pipeline discussion and with respect to the new foreign policy stance of India, there are some concerns that merit some attention.

Firstly, if the new Indian foreign policy approach had been adopted one or two decades ago, there would have been certainly better scope for its success. Now, it seems too late and at the same time too risky for India to travel along this line of policy. Again, the reason is clear. New engines of economic growth through introduction of new technology would be indigenously available, although with some delay and struggle.

Secondly, having a diverse cultural and religious setting in society and following a narrow national policy with strict disregard for cultural and political differences overseas, the country could be an easy target for social violence and terrorist attacks. The very recent incident of Mumbai, despite being attributed to the Pakistani and Kashmir causes, may hint, to some extent, that the new outspoken approach is not helpful or at least prepares the ground for such devastating incidents. In other words, India in the age of terrorism and increasing global uncertainties needs a more lenient political stance. The left-leaning *Die Tageszeitung* wrote about the brutal terrorist act of November 26, 2008 in Mumbai:¹³

“It is India’s September 11th...In its 60-year history India has experienced terrible acts of violence. But the series of attacks in India’s financial capital exceed all previous dimensions. Until now, terrorists had attacked markets, parks and other lively public places in order to sow terror and panic among the population. Attacks on five-star hotels and taking hotel guests hostage is an entirely new method. The intention is clear: to destroy the image of India as a dynamic and secure center of business and as an exotic tourist destination.”

Thirdly, far from being like China in terms of culture and societal characteristics, India could not follow the same path and approach in foreign policy as the one taken by China. The reason is twofold: Firstly, unlike China, India has a huge Muslim population, roughly 250 million people out of more than one billion. Although China has some considerable amount of Muslim population, nevertheless, honoured social collective values vis-à-vis individualism along with strong central command, gives logically a different policy choice to China. India truly is the largest world democracy; however, not every democracy can compete efficiently in terms of competence for economic development, especially once immersed with diverse social setting like India.

Secondly, the personal desire for poverty is high in India, while the case is opposite in China. In China people are greedier than one expects. Wealth is all they are looking for. Even their respect for Buddhism is more of respect for a healthy lifestyle than a religion. Furthermore, China has never been colonised fully and for long time, while the case is opposite in India. It is true that humbleness is a comparative social advantage for India and potentially an engine of economic growth in the new era and once the turn comes to new lifestyle and civilisation building measures; nevertheless, under a wrong circumstances or a weak path of economic development, this feature may appear to be problematic and perhaps a source of misery and concern.

Fourthly, while the rapid pace of globalisation continues and adoption of new technology indicates that some social uncertainties will stay ahead of us and there is scope for religious revivalism in

the West, India rather than taking advantage of the situation, is intentionally moving along the same path, of course, with some delay as a result of its weaker economic development. In other words, adoption of an outspoken foreign policy while trying to ignore international realities and accepted social values for global justice, more or less, seems like travelling along the Nash equilibrium in a the prisoner's dilemma game. It is true that rationally the dominant strategy in social life is defeat and it is true that a solid legal setting and competition may take us to a situation where economic prosperity and peace will prevail, nevertheless, in the new age, as we described some of its dominant characteristics and in case of India, we think that an upgrade of strategy towards a more cooperative setting in the context of prisoner's dilemma would be attainable for India.

Therefore, one should not be bothered with the long legacy of poor economic performance and despairing colonial experience, India should lead the world, at least it is what believed that India has at disposal, the rest will be depend on the Indian administration. Perhaps, the architect of India's foreign policy, Jawaharlal Nehru, who once declared the non-alignment policy, knew this India's comparative advantage long ago, although ideas' travelling ahead of material realities did not allow him to visualise his novel idea in a setting closer to reality.

End Notes

- ¹ Shamila N. Chaudhary, "Iran to India Natural Gas Pipeline: Implications for Conflict Resolution & Regionalism in India, Iran, and Pakistan", 2000, at <http://www.american.edu/TED/iranpipeline.htm> (accessed August 30, 2008).
- ² For more discussion, see Ali Biniiaz, An Oil and Gas Community: Prospects for Economic Cooperation in the Persian Gulf, *The Iranian Journal of International Affairs*, 20 (1), Winter 2007-8, IPIS.
- ³ An original version of this text in Persian is available at http://aftab.ir/articles/politics/iran/c1c1229155514_ayatoola_khamenehei_p1.php (accessed December 21, 2008).
- ⁴ For further elaboration, see Ahmad Sadri, "Shia' and Central Evolution in the World Religions", *Daily E'temad-e Melli*, 752, September 29, 2008, (in Persian).

- ⁵ For instance see “Iran wants IPI commitment from India”, Iran Mania Current Affairs , November 7, 2008, at <http://www.iranmania.com/News/ArticleView/Default.asp?NewsCode=62873&NewsKind=Current%20Affairs> (accessed December 21, 2008).
- ⁶ However, India refutes this position. See “Nuclear deal with US not at cost of IPI”, Press TV, November 3, 2008, at <http://www.presstv.ir/detail.aspx?id=74125§ionid=351020402>.
- ⁷ See “Iran-Pakistan-India: Laying the peace pipeline”, at <http://machete.gummyprint.com/iran-pakistan-india-laying-the-peace-pipeline/>
- ⁸ For instance, the former Pakistani President Parvez Musharraf in his speech at China’s prestigious Tsinghua University in mid-April 2008 said: “Pakistan is very much in favour of the pipeline between the [Persian] Gulf and China through Pakistan... India and Pakistan are trying for the gas pipeline between Iran, Pakistan and India. We call it IPI pipeline. Why cannot it be IPC pipeline also?” For further information, refer to <http://chennaionline.com/colnews/newsite.m.asp?NEWSID=%7B07E3FDA7-FB03-4B9A-B4A2-A1A2BA29A480%7D&CATEGORYNAME=biz>
- ⁹ For instance, serious objections from some members of the Nuclear Suppliers Group to allow nuclear fuel and technology exports to India was the major cause for the inconclusiveness of the gathering of the representatives of 45 nations in Vienna to decide lifting a ban on nuclear trade with India on August 22, 2008. Indeed it was the second gathering and a three-day debate starting on September 4, 2008 that empowered India to buy nuclear technology and equipment from countries other than US without requiring it to sign the Nuclear Non-proliferation Treaty.
- ¹⁰ “IPI pipeline negotiations postponed”, *Tehran Times*, August 4, 2008, at <http://www.tehrantimes.com/Index.asp> (accessed August 30, 2008).
- ¹¹ Some Indian analysts may disagree with this figure. They may respond that the results brought from their colleagues’ calculations here, are neither unique nor the last word. There is also a possibility that consistent with new Indian Government’s struggle to conclude nuclear contracts with countries other than the US, a new growth in the production of nuclear energy for power generation will occur and as a result the share of nuclear in energy mix of India goes up. However, given the technical nature of a nuclear plant and different checks it needs to receive before going into operation, we do not expect a breakthrough in the number mentioned here.
- ¹² “India’s launch of spy satellite annoys Iran”, *Dawn*, Islamabad, February 6, 2008, at <http://www.dawn.com/2008/02/06/int15.htm>
- ¹³ <http://www.spiegel.de/international/world/0,1518,593316,00.html>.

9

Iran-India Energy Relations: Towards a Larger Asian Framework

Shebonti Ray Dadwal

The issue of energy security has largely been perceived through the prism of Western interests. But this is changing now. But from the end of the 1990s, as the economies of some developing countries, particularly in Asia, began to surge, their demand for energy in order to sustain their growth levels has led to a gradual shift in the energy market. The developed countries' quest for energy security has seen them establishing their domination over the international energy market, particularly in the West Asian region, which holds the world's largest reserves of oil and natural gas. With oil demand declining in many of the industrialised nations, the energy, particularly the oil, market is gradually shifting to the fast-growing developing countries, especially China and India.

Also, with the return of the 'peak oil' theory, concerns that conventional - or easily accessible and produced - oil resources may be nearing a plateau increased, causing a scramble for residual reserves. These resources are mainly located in Russia, the former Soviet Union republics and the Persian Gulf states. While unconventional oil, or oil that is difficult to access as well as process, and hence considered commercially unviable, is abundantly available and can be found in offshore areas, such as South America (Brazil and Venezuela), Canada and the Arctic region, these were considered too technologically challenging and commercially unviable to be exploited till the recent past. However, the rise in oil prices from 2000 onwards till 2008-end have given analysts reason to believe that these could now be accessed. This is despite the

growing international concerns about environmental degradation and climate change. But with the current global financial downturn and the fast decelerating price of oil, which had dropped to around below \$40 a barrel from over \$147 a barrel in July 2008, unconventional oil is once again believed to be too expensive to produce. Recently, Royal Dutch Shell said that it was pushing back a decision on expanding its oil sands project in Canada.¹

Today, conventional oil is again a much sought after resource and there is a scramble for the access to these sources, not least for political reasons, between the industrialised countries and the developing countries, as well as between the developing countries themselves.

The concerns of the consuming countries have been exacerbated following the advent of resource nationalism among some energy producing countries. This was facilitated by the unprecedented rise in oil – and indeed energy – prices over the last few years. From a market-driven resource, oil and gas resources were used by many of the host countries as a political lever to enhance their international stature, sometimes accompanied by threats to cut off supplies to any country seen as inimically disposed towards them and sometimes as a sop to win friends. On their part, some powers used their international clout to prevent much-needed investment from going to a country to develop its energy infrastructure and sustain or even increase production levels so that it could be pressured to submit to a behaviour that was seen as ‘acceptable’. In other words, energy was no longer an area where market or demand-supply dynamics were the driving force – it was all about politics.

India-Iran Energy Relations

As one of the faster growing economies, India’s need for energy resources has been growing to sustain its high growth levels. However, its meagre domestic reserves, particularly in the case of oil, means that it will remain dependent on hydrocarbon imports. Even in the case of natural gas, despite recent discoveries of large reserves from its domestic fields, demand is expected to outpace supply over the next few decades. As a result, India needs to ensure

access to secure, sustained and affordable energy supplies. India currently imports 70 per cent of its oil requirement and this is expected to increase to 90 per cent by 2025, by which time India's oil demand would be around 325 million tonnes.² Its demand for natural gas for the non-power sector alone too is expected to more than double to 391 million cubic meters a day (mcmd) by 2025 from the current 120 mcmd,³ plus an unspecified amount for the power sector.

India and Iran have enjoyed far-reaching and multi-dimensional ties that have often been described as "civilisational". Though some strains had developed due to India's position in the International Atomic Energy Agency (IAEA) on Tehran's nuclear programme, both countries have underscored the importance of their ties and maintained communications at all levels – economic, cultural and strategic. As the then External Affairs Minister Pranab Mukherjee said during his visit to Tehran in February 2007, India "remain(s) committed to imparting this relationship greater substance and strategic content."⁴ More recently, during his trip to Tehran at the end of October 2008, Mr. Mukherjee stated that the nuclear agreement with the US would not be at the cost of its energy relations. "Iran is an energy-rich country, whereas India is an energy-deficient economy," he said, and added that India shared a broad relationship with Iran, which would not be hampered by any single issue, such as a project to run a gas pipeline between the two countries.⁵

Given Iran's stature as a leading energy producer of oil and natural gas as well as its geostrategic location, and India's fast-paced economic growth, its inadequate hydrocarbon reserves coupled with its growing need for energy supplies to sustain this growth, it is not surprising that energy comprises a very important component of their bilateral relations. With 136 billion barrels, Iran has one of the largest oil reserves. More importantly, it has the second largest reserves of gas at around 28 trillion cubic metres.⁶ No doubt, India, as part of her diversification strategy, is also seeking oil and gas supplies from other sources, including Saudi Arabia, the UAE, and Qatar, besides investing in hydrocarbon blocks in various countries, stretching from Russia, Africa, Latin America and West Asia, as well as Central Asia. Nevertheless, be it as a supply source or an energy corridor, Iran's importance remains indisputable.

Bilateral trade between the two countries grew by nearly 80 per cent in 2007-08 and reached US\$12.986 billion in March 2008. Of this, India's exports to Iran were worth only US\$1.937 billion while its imports were to the tune of US\$11.049 billion. Of this, crude oil and petroleum products imports were worth US\$10.06 billion. On its part, India too exported petroleum products to Iran, though worth only US\$850 million.⁷

Besides trade in hydrocarbons and petroleum products, India's ONGC Videsh Ltd. (OVL) as well as Indian Oil Co. and Oil India won a bid to develop the Farsi offshore block in 2002. The commercial report submitted by the Indian companies recently states that the block holds some one billion barrels of oil and 12.5 trillion cubic feet of gas.⁸

Already, Iran is India's second largest supplier of crude. India imports around 450,000 barrels of Iranian oil per day,⁹ and with Iran's huge gas potential and India's growing demand, Iran is also seen as a major potential supplier of natural gas to India. It was with this in mind that the two countries, and Pakistan, entered into negotiations to construct the Iran-Pakistan-India (IPI) gas pipeline in 1989. In 2005, the National Iranian Gas Export Co., or Nigec, and Indian companies – GAIL (India) Ltd, Indian Oil Corporation Ltd and Bharat Petroleum Corporation Ltd. – signed an agreement by which Iran was to deliver five million tonnes of liquefied natural gas (LNG) to India.

Despite seemingly strong ties, relations between Iran and India have suffered some strains due to New Delhi's stand on Tehran's alleged nuclear weapons programme. And this has had its fallout on the IPI project as well as the 2005 LNG deal which, according to reports, is off the table, at least for the time being, due to a dispute over prices.¹⁰ Despite problems related to the pricing of the gas in the IPI project, disagreements over transit and transport fees between India and Pakistan as well as concerns over the security of supplies transiting Pakistan, all the three parties continue to stress their commitment to the project. This is despite the US' strong objections to the project, based on the premise that the deal will financially benefit Iran which it is trying to isolate. However, there is general agreement that the

deal will be advantageous for all the involved parties. Proponents argue that the IPI project will not only help meet India's and Pakistan's growing energy needs, but will also give a fillip to the India-Pakistan peace process. This is even as the volume of gas that was to be transported to India has been downscaled, with India now set to receive only 30 mcmd from the earlier 60 mcmd. Nevertheless, Prime Minister Manmohan Singh has reiterated India's commitment to the project, provided some residual issues pertaining to both technical as well as political are sorted out. The April 2008 visit of President Mahmoud Ahmadinejad to India and the more recent visit by the Indian foreign minister to Iran also helped impart some positive developments to bilateral relations. Petroleum ministry officials are also hopeful that the 2005 LNG deal can be renegotiated.

Regional Energy Dynamics

Today, while bilateral energy relations remain important, it is imperative that these two Asian countries should look beyond bilateral energy trade to facilitate larger regional interests as well. With the energy demand heartland moving inexorably towards developing Asia, Iran is strategically placed to become not only a major energy supplier but also an important transit country.

Some three decades ago, inventor, scientist and mathematician R Buckminster Fuller predicted that the world would one day have a global electricity grid and proposed interconnecting regional power systems into a single electric energy grid. Though Fuller's prediction is far from being fulfilled, technological advances have made the linking of international and inter-regional networks economically and politically practicable, and today more and more countries are displaying their interest in such connectivity, with regional power grids having been set up in several parts of the world.¹¹ However, in South Asia, where the demand for energy is galloping and where the potential for such a network *does* exist, very little progress has been made. The region is contiguous to countries such as the Central Asian Republics (CARs) and Iran that have excess hydrocarbons as well as hydroelectricity. While Kazakhstan and Turkmenistan have abundant oil and gas reserves, Uzbekistan, Kyrgyzstan and

Tajikistan have a combined electricity generation capacity of about 38,000 MW and an annual generation in excess of 135 TWh. The latter two have large surplus generation in spring and summer. Once their systems are upgraded, they will have excess generation capacity throughout the year, including in the winter months. Moreover, the demand for electricity in these republics is expected to grow at a modest annual average rate of about 2 per cent only between 2005-2025.¹²

The differences in resource endowments between South Asia and Iran and the CARs, resulting in surpluses of electricity (and hydrocarbons) in the latter and in deficits in the former provide a rationale and the opportunity for an economically sound regional trade in these resources. The opportunity is particularly attractive for India, which is the largest energy consumer among the South Asian states, as well as Pakistan.

Interestingly, the prospect of trade in power is not a new concept between India and Iran. The idea was first proposed by former Indian power minister PM Sayeed, but was shelved after his death in 2005. In 2007, the idea was revived and discussed during the visit of the then Iranian Power Minister, Parviz Fattah, to India.¹³ Given that Iran already exports power to nine countries, including the CARs, Russia, Iraq, Turkey, Armenia and Azerbaijan, power trade with the South Asian countries is certainly possible. Iran also exports some 35 MW of power to Pakistan – with an offer of an additional 1100 MW – and Afghanistan. Laying a high voltage direct current line to India can be one way of getting Iranian power to India; alternatively, power can be drawn from existing Iranian networks to Bandar Abbas and thence on through an undersea cable to Kandla in Gujarat.

With Pakistan now signing an agreement that will allow it to import an initial 1000 MW of electricity from Tajikistan and Kyrgyzstan under the CASA 1000 agreement, such transmission lines can also be extended to India. Being major powers of their respective sub-regions, both countries need to take on a larger role in regional development. For instance, Iran-India energy trade can be a crucial component of a larger pan-Asian energy grid, comprising not only

of oil and gas but power as well, which has the potential to create mutual dependencies and allow all countries involved to have a stake in one another's political and economic stability. This was evident from the discussions held at the various Asian round-tables on producer-consumer cooperation. At one of these meetings, a proposal was made for creating an Asian gas grid, which would link the producing and consuming markets in Asia into a larger pan-Asian arrangement. Such a network will enable the countries in the region to maximise the gains and ensure energy security and economic growth in Asia.

Recently, Iran too has shown an interest in seeking membership of the South Asian regional grouping, SAARC. Like many other energy producing nations, Iran too has been showing an interest in strengthening its ties with Asian countries, partly because of the high levels of economic growth in these countries and partly to balance the West's, particularly the US, attempts to isolate it. Iran's interest to strengthen bonds with South Asia has been reciprocated and in April 2007, during the fourteenth SAARC summit in New Delhi, Iran was welcomed as an observer along with China, Japan, Republic of Korea, the US and the European Union.¹⁴ Iran's association with SAARC will certainly be beneficial for South Asia in general and India in particular, especially in terms of energy. For one, it will allow India to establish direct land access to Afghanistan and Central Asia, which is currently not possible due to Islamabad's refusal. More importantly, it will facilitate better access to Iran's energy resources, be it gas, oil or even power. It will also give a fillip to the proposal made by former Indian Petroleum Minister Mani Shankar Aiyar, in 2005 to construct an Asian gas (or even energy) grid, which envisaged linking the energy-rich countries of Central Asia and West Asia to the energy deficient countries of South Asia and Southeast Asia. Unfortunately, since then, the Indian government has said that it was no longer planning to pursue the idea of the Asian gas grid. Nevertheless, the recent signing of the railway project between India and Iran, and progress on the North-South Corridor should be perceived as the harbinger of many more bilateral and multilateral initiatives that will bring the countries of the region closer.

The developed nations have a long-term vision on energy security and this has been factored into their national and international policies. Countries such as the UK and US owe a major part of their development to the successful harnessing of indigenously available energy as well as controlling resources of energy surplus countries. As has been seen time and again, Washington has not hesitated to go to war to secure energy supplies, if not for itself, then for its European allies. It is time that the Asian countries, which are emerging as important global energy players, also developed long-term strategies to ensure their development and build the necessary synergies to allow them greater leverage in energy issues.

Apart from the underlying economic logic of a grid, with regard to the capital costs, there is a political logic as well. A pan-Asian energy infrastructure will create mutual dependencies, giving countries in the region a stake in one another's political and economic stability, and facilitate regional integration. Even energy-rich countries see their domestic demand increasing, and regional networks can provide the security required during periods of peak demand or even a crisis. Moreover, where such projects involving multiple countries are concerned, extra-regional interference will become difficult.

In Asia too, the ASEAN countries are forging ahead with a regional power grid, which will allow members to trade electricity under a set of harmonised technical rules and regulations. The Gulf Cooperation Council (GCC) countries too have expressed interest in setting up a power grid, with Iran a major part of such a project. Under the circumstances, therefore, there is no reason why India, and indeed the South Asian region, which constitutes 22 per cent of the world's population, and where only 40 per cent of the people in the region have access to electricity, should not avail of such opportunities.

Today, energy security should be approached holistically, and not confined to a trade-oriented relationship. Given the emerging supply crisis, all countries will need to cooperate by ensuring the sustenance of a common energy pool, if energy security has to be assured. Pakistan has already signed an agreement to purchase electricity

from Iran. This can be expanded to India and eventually become part of an Asian power grid. Today, with the international community's concerns regarding global warming and climate change increasing, and the pressure on large fossil fuel consuming countries, including India, increasing, there is a growing consensus that all countries should curb their use of fossil fuels and favour greener fuels. Replacing coal-based power plants with gas transported from neighbouring countries should be encouraged for this reason. Alternatively, instead of transporting fuels, it will be more beneficial for the environment – both regional as well as national – to set up gas-based or hydel-based power plants in the source country and transport electricity through transnational grids.

Conclusion

There is no doubt that Iran is and can emerge to be a very crucial partner in India's energy perspective. Similarly, given India's growing international economic profile, Iran can benefit from a long-term energy and indeed economic relationship with New Delhi, particularly in light of Tehran's growing isolation. The global energy scenario is such that neither the producers nor the consumers can afford to adopt independent stances vis-à-vis energy security. Yet, despite both sides reiterating time and again their commitment to developing and strengthening ties, their actions indicate otherwise. While India and Indian companies, have displayed a proclivity to succumb to US pressure,¹⁵ Iran too has shown little evidence that it can be a reliable energy partner. Be it on the LNG deal, the pricing of the IPI gas, the promise of the award of a 20 per cent stake in Yadavaran to ONGC or the planned olefin plant between GAIL India and Iran's National Petrochemicals Company, all appear to have been rejected by Iran or have yet to be finalised due to changes in Tehran's terms and conditions.

Therefore, while there is no doubt that there is enormous potential for expanding and strengthening bilateral energy relations, and this can be further expanded to encompass regional energy cooperation, both countries have to go beyond rhetoric. It is in the interest of both India and Iran to move forward in resolving pending issues and problems, and implement the various energy deals that are in

the pipeline, not only for their own energy security but for their larger regional and even global interests as well. Iran-India energy trade can be a crucial component of a larger pan-Asian energy grid, comprising not only of oil and gas but power as well, as this has the potential to create mutual dependencies and allow all countries involved to have a stake in one another's political and economic stability, with the goal of facilitating regional integration. As Mr Aiyar said, for too long has the debate on energy security been defined through the prism of Western interests. It is now time for the Asian countries, which are emerging as important global energy players, to build the necessary synergies which will allow them to have greater leverage in energy issues. Without more cooperation among the Asian actors, crucial issues such as the creation of a holistic Asian energy market and emergency preparedness, that is strategically placed to address energy security issues of this part of the world, will not be possible. It is in this that India and Iran have and can play a major role.

End Notes

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Part V
**Bilateral Relations:
Scope and Prospects**



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Indo-Iranian Bilateral Relations: Scope and Prospects

Ishrat Aziz

At the outset, it will be good to get a sense of perspective about the importance of Iran from the point of view of India's interests in its western neighbourhood, consisting of Pakistan, Afghanistan, the Gulf Cooperation Council Countries, Central Asia and, of course, Iran itself. With 70 million people, population-wise Iran is the 18th largest country in the world. Its geographical area is about half that of India. It has a GDP of nearly \$600 billion and a per capita income of \$8,500. Ethnically Iran is diverse to an extent that is not often realised. Its population is characterised as 51 per cent Persian, 24 per cent Azerbaijani, 8 per cent Gilaki and Mazandarani, 8 per cent Kurdish with Arabs, Baloch, and Turkmen constituting the rest of the 10 per cent. Linguistically Persian and Persian dialects are spoken by 58 per cent of the population, Turkic and Turkic dialects by 26 per cent with 7 per cent speaking other dialects. Religion-wise, 89 per cent are Shia, 9 per cent Sunni, with Zoroastrian, Jews, Christians and Bahais constituting 2 per cent.

With 15 per cent of the world's gas and nearly 10 per cent of world's oil reserves, it is a significant global energy player. Because of its high population density, Iran needs to increase the gas component of its energy basket for environmental reasons, as much as possible. Geographically the closest and largest source of gas for India, energy cooperation with Iran can be mutually very beneficial for both sides. Iran is also a very important country in a region that is important to India- namely the Gulf, home to 66 per cent of the world's oil and 38 per cent of gas. Its population is more than twice that of the 6

GCC countries combined. It stretches across the entire length of the eastern shores of the Gulf. A plane can cover the distance, between the Iranian side of the Gulf and the Arab side, in 15-25 minutes, depending on the type of aircraft. The eastern side of the Straits of Hormuz – that narrow and vital waterway through which oil tankers carrying vast quantities of the world's oil must pass – is Iranian shoreline. Iran is the immediate neighbour of India's most important South Asian neighbour, Pakistan. The nature of its relationship with Pakistan and its various ramifications need no elaboration. The strategic importance of Iran for Pakistan, of which Pakistan is well aware, gives a special dimension to India's relationship with Iran. Iran also lies astride India's routes to Central Asia and Russia, whether for road transport or for gas pipelines.

The two countries have had a long, historical and civilisationally interactive relationship. Before Partition and the emergence of Pakistan, India had a common border with Iran. Throughout history there has been regular migration to India from Iran and from Central Asia through Iran. For 25 million Shias in India, there are places of pilgrimage in Iran which many of them visit every year.

Iran and the Great Game

Following the incorporation of Central Asian territories in Czarist Russia in the 19th century and the establishment of British rule over the whole of India, Iran has had a troubled relationship with foreign powers. The traditional goal of Imperial Russia had been to move southwards for a direct opening into the warm waters of the Indian Ocean. The British had their forward policy in Afghanistan and Iran to pre-empt this southward pressure of Russia which they perceived as a threat to the jewel in the Crown of the British Empire – India.

Iran along with Afghanistan thus became a victim of the 'Great Game' between Czarist Russia and British India resulting in the creation of spheres of influence by Russia and Britain – the northern part under Russian and the southern part under British. This foreign involvement in Iranian affairs truly ended only with the Iranian Revolution in 1979 because after Russian withdrawal from northern Iran in 1946, Iran came under the dominant influence of the US.

During this entire period, Iran could not pursue fully independent policies that would adversely affect the important interests of the dominant foreign power. The Iranians naturally resented this foreign influence and this has profoundly influenced Iranian view of their national interest and their strategic perceptions. Hence the reference in the post-1979 Iranian Revolution era to US as 'The Great Satan' and Soviet Union as the 'Smaller Satan'; Britain by then having withdrawn from east of Suez in 1972 including Aden and the Gulf, had become irrelevant in global strategic equations.

Internal Situation – Political and Economic

Immediately after the revolution, there was strong rhetoric about Islamic ideology informing the goals and policies of Iran – whether internal or external. Measures were taken to purge from the society and the system, including armed forces, those elements who could, if not be dealt with, undo the revolution. Many prominent personalities were exiled or executed in the process. There was even talk of exporting the revolutionary Islamic ideology to other countries of the region.

However the American hostage crisis, and the Iraqi attack, resulting in a prolonged war between the two countries, forced the Iranian leadership to deal with practical problems rather than ideological controversies. These two issues not only made it necessary to close ranks but also helped achieve it. The problem of conservative versus moderate, the ideologue versus the pragmatist, whether in political or in economic matters, has been there in Iran throughout since the revolution, and is still far from being resolved.

The first area where the role of ideology was curtailed was external relations. The war with Iraq made national interest considerations first priority despite full blown Islamic rhetoric inspiring the youth to go to the war front. The Iraq-Iran conflict was a war between two nations and not between two ideologies. In economic matters, pragmatism, essential to achieve results, strengthened quickly. If things did not follow their logical conclusion, it was more due to entrenched interests than ideology. Moreover, oil income reduced pressure for reforms that would make Iranian economy truly dynamic and wealth producing.

But it is in the political sphere that ideology has been the most persistent and hardest to shake off. One reason for this is non-ideological – namely use of ideology as a weapon for struggle for power rather than its pursuit for its own sake. With Khatami's election, it seemed that things might gain greater momentum towards pragmatism and liberalisation, since the liberals had also gained control of the parliament. But things did not move as expected. The powerful institution of the Council of Guardians put brakes on the movement towards liberalisation. Many blame Khatami for not being assertive enough on behalf of liberalism and standing up to the conservatives. American attitude of not responding positively enough to Khatami's overtures, to the extent of cold-shouldering him, weakened the hands of the pragmatists and the moderates. On the other hand, it strengthened the argument of the conservatives that under the influence of Israel and the Iranian dissident elements, the US is not willing for a true rapprochement with Iran.

The moderates lost power in the parliament when the Council of Guardians rejected the candidature of the liberal reformists for election to the parliament. In 2005 Khatami lost the elections to Ahmedinejad, who represents the more conservative forces in Iranian politics. While governance in Iran is as democratic as any in the region, full democratisation is possible only when every viewpoint is allowed to be represented in the parliament, based on the electoral verdicts. The veto power of the Council of Guardians and the over riding powers of the Vilayatul Faqih prevent full realisation of the goal of governance according to the people's choice. Though the fundamental responsibility for democratisation must be that of the Iranian leadership and people, the process would be helped if outside powers, especially US, gave up their efforts to isolate Iran and instead engaged it in a comprehensive dialogue for a settlement of outstanding issues. The US may have its own reasons for the sanctions policy, but it certainly weakens the hands of the moderate liberals.

Economically, Iran has not been able to do as well as it could, given its natural resources, specially oil and large population, which is

large enough for economic diversity and viability. This is because Iran has failed to bring about structural changes like land reforms, deregulation and de-bureaucratisation, greater individual freedom, and level playing field which could release the energies of an otherwise very dynamic and creative people. During the time of the Shah, a lot of oil wealth was wasted on military forces and equipment, intelligence and security, corruption and showpieces rather than productive projects. In the immediate post-revolution period, resources were consumed and manpower bled by the prolonged Iraq-Iran War, focus on ideology rather than economic growth, and suppression of all opposition, including legitimate one rather than reconciliation and reconstruction.

Throughout the post-revolution era, developmental efforts were also hindered by the US policies to isolate Iran and to impose economic sanctions of its own, because of the hostage crisis. More recently, UN sanctions under US pressure have made investments and growth difficult. Consequently, inflation and unemployment remain high and economic growth sluggish. Only recently, the high oil price has brought large amounts of oil earnings into the Iranian coffers.

Iran's Role and Influence in the Region

Iran is a significant regional player whose role has been governed predominantly by its strategic considerations. Since ancient times when it had a large and extensive empire, Iran has had the historical experience of managing its relations with many nations and people on the basis of practical politics.

Iran and Syria

During the Iraq-Iran War, it had strong ties with Syria. As an Arab country, Syrian support was valuable for Iran vis-vis Iraq in the 1980s. It should also be underlined that Iran had no hesitation in ties with a secular Baathist Syria, despite its professed Islamic ideology. These ties have continued to this day. For Syria Iran is a valuable diplomatic card, strengthening its hand in the matter of a peace settlement with Israel.

Iran and Iraq

As regards Iraq, Iranian influence there is significant. Bringing peace and stability there will require Iranian cooperation. The US realises this and despite issuing warnings over the nuclear issue has had contacts with Iran over the situation in Iraq.

Iran and Afghanistan

Cooperation with Iran will also help in stabilising the situation in Afghanistan. In the past Iran has been cooperative with the US, specially at the time of the US-supported Northern Alliances' sweep towards Kabul in the immediate aftermath of 9/11.

Iran, Hezbollah and Hamas

Iran's support of Hezbollah and Hamas has more to do with strategic interests and less with ideology. The securing of electoral mandate by Hamas in the last Palestinian elections, and the success of Hezbollah in forcing the end of 20-year Israeli occupation of south Lebanon, and the stiff resistance to Israeli military occupation in 2006, resulting in unprecedented casualties for Israeli military forces, have not only enhanced the prestige of these two organisations but also the influence of Iran in the region. Hamas and Hezbollah with Iran behind them are a brake on the pursuit by Israel of aggressive policies in the region, specially on the Palestinian issue. Iran's relations with Pakistan, GCC and Israel may be dealt with briefly. They must be kept in view because we cannot develop India's relations with Iran independent of these relationships.

Iran and Pakistan

Iran's relationship with Pakistan has all along been based more on strategic considerations than Islamic solidarity. Until the breakup of Soviet Union and especially during the Shah's time, relations with Pakistan were important because the superpower in the north was seen as Iran's most important security problem. Even after the collapse of Soviet Union and the emergence of Central Asian Republics, Iran continues to view the existence of Pakistan as a viable state to be in Iran's vital geo-strategic interests. The strategic

considerations are fundamental on both sides in Iranian-Pakistani relations.

Iran and GCC Countries

There are concerns and sensitivities on the GCC side primarily because of a very asymmetrical situation. Iran's population, as already noted, is more than double that of all the GCC countries put together, and its GDP is more than their combined GDP. The military balance also tilts heavily in favour of Iran. The presence of 9-10 million foreigners in the GCC countries creates its own complications for the GCC countries in the event of a crisis.

Until the fall of the Shah, both GCC and Iran had a similarity of approach in their perception about the Soviet threat to the region, and were therefore on relatively friendly terms. However that did not prevent the Shah from occupying the islands of Greater and Lesser Tumbs and Abu Musa in 1971 at the time of Britain's withdrawal from the region. The post-revolution leadership in Iran, despite its professions of Islamic solidarity refuses to give them up. The ownership of these islands remains an irritant between Iran and UAE.

Another issue of concern to GCC countries is that they have significant numbers of people of Shia faith in their midst and Bahrain in fact has a Shia majority. In the immediate post-revolution era, Khomeini's Islamic ideology had a certain amount of impact on them.

In recent years however, relations between Iran and GCC have improved considerably but residual concern, based on memories of the post-revolution era, when Iranian leadership indulged in rhetoric about spreading their revolutionary ideology to the Islamic countries, still remains. The point to remember is that in pursuing India's interest with one side, we will have to keep in view the sensitivities of the other.

Iran and Israel

Relations between Iran and Israel before the 1979 overthrow of the Shah were extremely close. Shah's security force, SAVAK, it is

generally believed, was trained by Israel's MOSSAD. That close relationship was based on mutuality of interests. Shah's relations with Nasser's Egypt and Baathist Iraq and Syria were problematic and it was good for him to have an ally in the region to strengthen his hands. For Israel, it made sense to have strong relations with a Muslim oil-rich country in the region for diplomatic, strategic and economic reasons. (Shah remained a reliable oil supplier to Israel in times of need.)

The revolution in Iran ruptured this close relationship as the cleric regime in Iran found a new strategy to pursue its national interests – namely Islamic ideology. The point to bear in mind, however, is that the hostility between Islamic Iran and Jewish Israel is due to strategic and not ideological reasons. Israel sees any large and strong country in the region a serious threat to its security, except those like Egypt and Turkey who are enmeshed in the web of security interests of the West. A strong Iran, even without nuclear weapons, comes in the way of Israel's negative and aggressive policies in the region specially with regard to the denial to the Palestinians of their right to a viable State of their own.

As for those who emphasis ideology it may be recalled that at the height of its war with Iraq, Iran did not hesitate to receive military spares from US and Israel or for the latter to supply them. It was a clear case of national interests trumping over ideological considerations. Earlier the Shah had no problem in being an active member of the OIC and having the closest of relations with Israel at the same time. In pursuing India's interest with Iran, India will have to take a holistic view dictated by a configuration of its interests with different countries in the region and their relations with Iran. For its part, every indication is that Iran is well aware of its extensive interests in India – a country of 1.1 billion people on the other side of its neighbour Pakistan – from political, economic and strategic points of view.

Brief Historical Background of Indo-Iranian Relations

India and Iran established diplomatic relations very early after India's independence. In fact even before India's independence Iran

participated in the first Asian Relations Conference in March 1947. Earlier, in 1946, India had expressed sympathy and support for Iran in its difficulties with Soviet Union over the Azerbaijan issue and the question of withdrawal of Russian military from northern Iran. India and Iran signed a Treaty of Friendship in March 1950 though subsequently, for over two decades, Indo-Iranian relations did not reflect the spirit or the content of the treaty.

The Shah of Iran visited India in February 1955, just four months after the Baghdad Pact of which Iran was a member. Absence of a communiqué at the end of the visit was obviously an indication of political differences between the two sides. Nehru paid a return visit to Iran in 1955. The joint communiqué issued at the end of the visit confined itself to vague generalities – an obvious sign that there were differences of approach between the two sides on specific issues.

One factor complicating Indo-Iran relations at this time was the growing friendship between India and Egypt and the strong personal rapport between Nehru and Nasser. The Egyptian president with his mass appeal, growing influence in the Arab world and pro-Soviet inclinations was viewed by many conservative, monarchical regimes in the Middle East, including the Shah, as a threat. It was not surprising, therefore, that Indo-Iranian relations somewhat cooled at this time.

As India's relations with progressive republican regimes in the Middle East strengthened, ties between Iran, Pakistan, Iraq (until the overthrow of the Iraqi monarchy in a coup d'état in July 1958) became closer. Although all the members of the Baghdad Pact, (and its successor the RCD), were Muslim countries, it was not an Islamic alliance. Each country was in it for its own strategic reasons – Turkey because of the Soviet pressure; Iran because of Soviet threat and the growing influence of Nasser in the Middle East; while Pakistan's membership was India-centric, whether it was Baghdad Pact, RCD, or SEATO. And of course these pacts were creations of US and UK for the containment of Soviet penetration of the region. The point to be emphasised is that Iran's closeness to Pakistan in the 1950s or 1960s was more due to strategic reasons and less due to religious ties.

During the 1965 Indo-Pak War, Iran supported Pakistan diplomatically and to a limited extent materially. Iranian Foreign Minister described the military move towards Lahore across the international frontier “an act of aggression” and at the United Nations, the Iranian ambassador called for a settlement of the Indo-Pak problems “in accordance with the Security Council resolutions” and “on the basis of the principle of self-determination”. On the material side, Iran is believed to have supplied Pakistan some jet fuel, small arms and ammunition, besides medical supplies and medical teams. At the same time, Iran did not stop oil supplies to India during the war.

As regards the Bangladesh Crisis of 1971, Iran all along maintained that it was an internal matter for Pakistan and strongly advised all powers against interfering in Pakistan’s internal affairs. When the War broke out in December 1971, the Iranian role at the UN was much less strident than during the 1965 War in its support of Pakistan. It limited itself to criticising India’s interference, in “affairs which were essentially within the national jurisdiction of Pakistan”. This time the level of military supplies to Pakistan was however, significantly higher. At the same time, despite threats to do so, Iran did not suspend oil supplies to India. Following the breakup of Pakistan in 1971, the situation for Iran has been summed up as follows by Prithvi Ram Mudiam in his book ‘India and the Middle East’:

“The dismemberment of Pakistan in 1971 was seen by Shah as part of a larger plan to encircle Iran. At the core of Shah’s interpretation of the security threat...was the perception of a pincer movement from Iraq to the west, India and Afghanistan to the east, and the Soviet Union behind both. The Indo-Soviet Treaty of 1971, the Iraq-Soviet Treaty of 1972, and the July 1973 Coup in Afghanistan, and secessionist movements in Baluchistan and Sindh gave credence to such fears. The increasing Soviet Naval presence in the Arabian Sea and the Indian Ocean made Iran wonder if it had to counter the Russian threat not only from the North but from the south as well. Under the circumstances the Shah considered that Iran had a vital stake in the survival of the remainder of Pakistan. First Iran wanted a stable eastern flank and Pakistani support in its rivalry with the Arab states. Secondly, any separatist movement in Baluchistan

would give ideas to the large numbers of Baluchis living in Iran. The Shah told the New York Times: We must see to it that Pakistan does not fall into pieces. This would produce a terrible mess”.

It would be good to recall the background to the landmark visit of Mrs Gandhi to Iran in April 1974. After its break up in 1971, Pakistan was no more the senior ally of Iran in the RCD. Nasser’s defeat in 1967 and his passing away from the scene in 1970 had removed a major challenge for the Shah. Nasser’s successor, Anwar es Sadaat’s expulsion of Soviet advisors in July 1972, and his growing relationship with the US after the October 1973 War in fact meant a convergence of interests between the leadership of the two countries. The growing Soviet influence in Afghanistan after the coup in that country in 1973, became a matter of priority concern to Shah. With oil revenues pouring into the Iranian treasury, from quadrupling of oil prices in 1974, an increasingly self-confident Shah wanted to play a more significant role in regional security, Britain having already withdrawn from the Gulf in 1971. For such a role, strengthening ties with India was important.

For India also the circumstances had changed or were changing. After the break up of Pakistan, its importance as a factor in the security calculus of India had diminished. India could afford to formulate policies with less weightage to the Pakistani factor. The Simla Agreement had also considerably circumscribed Pakistan’s ability to internationalise the Kashmir issue. With Nasser gone from the scene, and Sadaat moving closer to the US, India could forge closer ties with Iran without apprehensions of its negative impact on her traditional relations with Arab countries – an apprehension which was probably always exaggerated and more a perception than a real possibility.

Though the entry of Soviet forces in Afghanistan was still many years away, India could not but view developments in Afghanistan after the 1973 coup, negatively from the long-term strategic point of view. Also, after a landslide electoral victory and the success of the 1971 war, a self-confident Mrs Gandhi wanted to correct the impression created by the Indo-Soviet Friendship Treaty that India had become too close to the Soviet Union for her own good. By 1974,

the utility of the Treaty had already peaked. It was against this background, when both sides felt ready for significant moves, that Mrs Gandhi made her very important trip to Iran in 1974. The joint communiqué at the end of the visit reflected understanding and accommodation on the part of both sides on most major political issues as well as promise of increase in economic cooperation.

The Shah paid a return visit to India in 1974. Even before his arrival Shah made statements which created the right environment for his visit. In a declaration prior to his visit, he accepted Indian's stand on the nuclear test in Pokhran saying: "Firstly I must accept the word of a friend and secondly a policy of peaceful uses of nuclear technology was in India's interest." This return visit further boosted political and economic ties between the two countries significantly. The basic understanding arrived at between the two sides as a result of these visits has survived man vicissitudes.

Relations since the Iranian Revolution

The fall of Shah in 1979 and the establishment of an Islamic regime did not fundamentally alter the strategic basis of relations between the two countries. However, a number of developments prevented Indo-Iran relations from strengthening in a manner dictated by the common interests of the two sides. First of all, Iraq-Iran War meant that all the national energies and the diplomatic and economic resources of Iran were focussed on the war effort. Moreover, Iran's oil income fell dramatically due to fall in global oil prices and production, preventing schemes of economic cooperation from taking concrete shape.

But the Iraq-Iran War complicated Indo-Iranian relations in its own way. Iran wanted various countries, specially in the non-aligned movement, to brand Iraq as the aggressor, which under international law it was. However, that put India like many other countries who had good relations with Iraq, in a dilemma that could not be resolved for the entire duration of the war until 1988. For Iran, ending the war without branding Iraq as the aggressor was unacceptable until Khomeini decided in 1988 to drink what he called the "poisoned chalice". At the end of the Iraq-Iran War, the exchange of high level

contacts was resumed and has been maintained since. Prime Minister Narasimha Rao visited Iran in 1993; Vice President K.R. Narayanan in 1996; and Prime Minister A.B.Vajpayee in 2001. From the Iranian side, President Rafsanjani visited India in 1995; President Khatami in 2003 as the chief guest of the Republic Day Parade; and Vice President E.R. Mashae in 2006.

Iran may make foreign policy declarations in ideological terms but at the practical level, it remains essentially pragmatic. There is no indication that the present revolutionary leadership in Iran does not realise the strategic importance of relationship with India. On the basis of historical ties between the two countries, it can be concluded that Indo-Iranian relations can be built on the basis of secular considerations of common national and strategic interests. The role of religion in Iran's foreign policy was and continues to be secondary.

Trade and Economic Relations

India and Iran have maintained steady trade and economic ties. The recent figures for trade are as follows:

Table-I

India-Iran Bilateral Trade

(Total Trade in US\$ and its growth with India by top 10 commodities)

Year	Exports from India	Imports by India	Trade Balance	Total Trade	Growth Rate
2001-02	253.03	1659.82	-1406.79	1912.85	-14.48
2002-03	655.4	1645.12	-989.72	2300.52	20.27
2003-04	935.86	1937.98	-1002.12	2873.84	24.92
2004-05	1266.38	2896.87	-1630.49	4163.25	44.87
2005-06	1176.77	4806.04	-3629.27	5982.81	43.70
2006-07	1490.75	7842.36	-6351.61	9333.11	55.26
Apr-Sept -2007	1205.83	4696.28	-3490.45	5902.11	

These figures show a significant increase but nowhere near full potential level of economic relationship between two economies the size of India and Iran. India's heavy trade deficit with Iran is due to its growing oil imports and the increasing international oil price. Minus oil imports, India has a favourable trade balance. Currently two issues are important and relevant to Indo-Iranian relations – Iran's nuclear programme and the Iran-Pakistan-India gas pipeline.

Iran's Nuclear Programme

Much has been written about Iran's nuclear programme and its implications for various nations and regions. From India's perspective, the following needs to be kept in view:

1. Iran is a signatory to NPT and the Additional Safeguards Protocol. Under this, Iran is entitled to pursue nuclear technology for peaceful programmes. All its nuclear installations and activities are subject to IAEA inspection and safeguards accordingly.
2. Iran has a case for peaceful nuclear programme. Of the five countries with biggest oil reserves (Saudi Arabia, Iraq, Kuwait, UAE and Iran) Iran has the largest population, in fact almost triple of the next largest country, Iraq. Its own demand for oil is growing and considering its production/reserve ratio, and growing internal demand it will have less and less oil for export with the passage of time. In fact, western countries, during Shah's time when Iran was a player for their security interests in the region, they had encouraged Shah's nuclear programme and sold reactors to Iran for this purpose.
3. There have been reports that Iran carried out clandestine activities, as part of its nuclear programme which violate IAEA's transparency requirements. This shows, it is alleged, that Iran's nuclear intentions are not peaceful and that there is a hidden agenda of weaponisation.
4. Different countries have different levels of reservations and apprehensions about Iran's nuclear programme and they have expressed them in different ways. The strongest opposition to Iran's nuclear programme comes from the US and Israel, followed by EU. The countries of the neighbourhood region have expressed their reservations in more subtle and indirect ways.

The first question is: Has Iran done anything that violates its commitments under the NPT and Additional Safeguard Protocols. The most balanced assessment seems to be that yes, there have been infractions but these are no more serious than similar infractions by some other states which have peaceful nuclear programs and are signatory to NPT. Also these infractions occurred before Iran agreed to additional safeguards and merely on the basis of these violations, it cannot be concluded that Iran has an active nuclear programme.

What makes an assessment of Iran's nuclear programme even more difficult is that US after giving strong indications that Iran has a weapons programme, changed its assessment in the latest NIE report according to which Iran has not been pursuing a weapons program since 2003. This combined with the fact that no weapons of mass destruction were found in Iraq, despite all intelligence claims that Iraq possessed them, puts a question mark on such claims by US and Israel.

The problem fundamentally arises from the fact that once a country has full nuclear expertise, technology and equipment and fuel, it can use them for weapons program. Such a switch is preventable but not easily so. The central question is: Should Iran be prevented from developing its peaceful nuclear capabilities, even if they are allowed under the existing safeguard agreements, simply on the grounds that in future Iran may decide to use them for nuclear weapons?

The 'Yes' answer to this question implies that we know Iran's intentions and that they will develop nuclear weapons even if we have little objective evidence to establish this except some infractions. It also does not help to resolve the issue of intention by saying that every country would want to be a nuclear weapon state if it could, specially if there are nuclear weapon states in the neighbourhood. We cannot take concrete action in such cases on the basis of intentions without concrete evidence. It is pointless to go into the moral issue of whether states with nuclear weapons have the right to tell their neighbours not to acquire them. The moral answer is, of course, clear but it is of little help in the practical world of international politics. Now the central question of course is: How should Iran's nuclear programme be handled.

The US and Israeli approach is clear enough and they have more than hinted at it. The EU also wants to oppose Iran's nuclear programme in its present form even if it is in compliance with Iran's IAEA safeguard requirements. They now want restrictions on Iran's nuclear programme beyond the normal NPT safeguards as well as the Additional Safeguard Protocol. The countries of the region, specially in West Asia, have expressed their views in the matter through their own euphemisms. Obviously India should follow a policy, based on its national interests, seen from a broad and long term perspective. That requires an independent approach. While our policy goal has to be 'No More Nuclear Weapons States', we must pursue it within the framework of our national interest. In the context of our national interest, one point needs to be emphasised.

As far as India's security is concerned, whether or not Iran goes nuclear is of secondary importance. Countries, whose possession of nuclear weapons really matters to us, whether regionally or globally, already have them. We have neither common border with Iran nor any serious bilateral issues. While we must insist on safeguards, they should be in accordance with existing norms, which apply to all non-nuclear states. Iran has already signed the Additional Safeguards Protocol and further Iran-specific safeguards should not be necessary.

Our interests are not identical with those of US, Israel and even the EU. We must avoid being associated with those who have indicated their intentions about dealing with Iran's nuclear programme through the euphemism that "all options are open" or being identified with those who are less strident, but would like to go beyond the existing safeguards and insist on Iran-specific measures. We have a geostrategic relationship with Iran based on unchanging geography while the policies of the countries pressurising Iran currently may change in the future. For years, the US pursued certain policies with regard to China and Vietnam. Those who pursued independent policies came in for pressure from US. Then US policies changed because they were not viable. It has been good for our long-term national interest to have pursued an independent approach towards China and Vietnam.

Oil Pipeline

From the perspective of broader, long-term national interests of India, the Iran-Pakistan-India Gas Pipeline makes a lot of sense. We need more gas in our energy basket for environmental reasons and Iran's gas reserves are the second largest in the world after Russia's. Up to a distance of 4,000 km, pipelines are considered a more economic means of transporting gas than liquefying it and transporting it as LNG by tankers. So the most cost-effective way to bring Iranian gas to India is by pipeline. Bringing gas by seabed pipeline would be more expensive and there are technical problems as well.

Also in the case of underwater pipeline, no country can be held responsible for sabotage. There are however, well recognised international arrangements to ensure that contractual obligations for the security of trans-national pipeline are complied with, including financial guarantees against losses. The problems with regard to sabotage or non-compliance with agreements, and resultant losses, are not insurmountable. The experience of the functioning of trans-national pipe lines so far have been more than satisfactory in every way – political, economic and technological.

As far as Iran-Pakistan-India pipeline is concerned, it is not only economically the most viable option, but holds promise of political dividends as well. It could become the model of economic cooperation and improve political environment in the region. Its success will give credence to the concept of economic linkages bringing the countries of the region closer together. The model can then be repeated in other areas and places as well. In this globalising world, regional cooperation is a must and the oil pipeline followed by greater regional cooperation in energy could do for this region what the coal and steel community did for Europe after World War II.

Of course, there will always be a certain element of risk when a pipeline stretches over a long distance across national boundaries. But then even within one's own territory, pipelines can be and sometimes are sabotaged. It is highly unlikely that governments of countries concerned with such a pipeline would shirk the

responsibilities they have assumed voluntarily. Nations, of course, observe their assumed obligations when it is their interest to do so and we must have the self-confidence to ensure that it is in the interest of everyone to fulfil their commitments. The dangers to the pipeline from non-state actors will be more difficult to handle. But if all the governments cooperate then this risk can also be managed.

There are issues like the formula for the price of gas which are still not entirely worked out. Iran has to offer terms and conditions which will make a long-term contract beneficial to the buyers despite price fluctuations. But these things can be worked out once the political will is there to go ahead with the project. At present, from all indications, the main obstacle to the pipeline project appears to be US opposition to it, as a part of its policy of economic pressure on Iran. An objectively prepared balance sheet will show that it tilts clearly in favour of the Iran-Pakistan-India gas pipeline. A decision is required on a careful consideration of our long-term interests, based on self-confidence.

Conclusion

Both countries have a truly historic relationship, sharing many civilisational bonds, cultural ties and people-to-people contact. Both have a mutuality of geopolitical interests. Both are important countries in their respective regions; India in South Asia and Iran in West Asia. With a population of 70 million and the world's second largest gas reserves (15 per cent), and third largest oil reserves (10 per cent), Iran can be an important energy partner for India. India's growing need for clean fuel for environmental reasons can be met to a significant extent from Iran. It also lies astride routes from India to Central Asia, whether for road transport or pipelines.

With a population of 1.1 billion, and a 4 trillion dollar economy (on PPP basis) growing at about 9 per cent per annum, India offers tremendous opportunities to Iran economically, politically and strategically. Indo-Iranian cooperation can be a very important component of shared prosperity for West Asian and South Asian regions. Iran is important for westward expansion of our ties, and India is important for Iran's quest eastward for trade and economic

opportunities. Iran's role is crucial for peace and stability in areas important to us namely the Gulf, Iraq and Afghanistan, and India's role for Iran's interests in South Asia.

Currently, attention is focussed on two issues – the Iranian nuclear programme and Iran-Pakistan-India pipeline. On both issues the US has taken stands that are dictated by what it perceives to be self interest rather than the merits of the case. Both Iran and India need to understand each other's sensitivities and constrains on these two issues with a positive mind, patience and tact. On both issues India must take positions based on self-interest and self-confidence of a nation that must play an increasingly significant and independent role in the complex world of international relations and conflicting interests.

11

Reshaping India-Iran Relations: The Way Ahead

Arvind Gupta

The 5th IDSA-IPIS Dialogue (April 24-25, 2008) at New Delhi was held after a gap of five years. Therefore, it was not surprising that the two sides had a fair number of issues to discuss. Between 2003 and 2008, the international and regional security environment had changed considerably. Bilateral issues were being guided by the Tehran Declaration of 2003. The Dialogue was held in a friendly atmosphere and the discussions were candid and constructive. The papers presented at the Dialogue made incisive analysis of the prevailing international and regional security environment. They also contained a number of useful ideas for further deepening of the bilateral relationship.

International Security Environment

Some interesting perspectives on international and regional security environment emerged during the Dialogue. While Indian and Iranian views converged on the worsening security environment in the region, the diagnosis and the recommendations were often different. In the Iranian view, the presence of external powers in the region was the root cause of instability. In the Indian view, external presence certainly created imbalances in the region but regional fault lines also created conditions for external involvement. Indian speakers acknowledged the important role that Iran plays in the region but also felt that Iran should reassure its neighbours who were apprehensive about its growing profile and nuclear programme. The Indian speakers were also concerned that the Shia-

Sunni divide in the region had been accentuated due to US policies. The Iranian speakers resented the prevailing double standards in international relations where in the name of fight against terrorism, the US was targeting Islam. The Islamic countries were therefore demanding from the US a definition of terrorism. Without such definition, there would be no prospects for peace in Iraq, Afghanistan or any other place. Iran was constantly being criticised and threatened for its peaceful nuclear activities but nobody talked about the Israeli nuclear arsenal. Why? Because, they say Israel was not a member of the NPT so it is free to have nuclear weapons but since Iran signed the NPT, it cannot go ahead with its peaceful nuclear programme. North Korea, having tested a nuclear bomb, had managed to deflect the international pressure on it. Instead, it was being invited for talks and negotiations. The nuclear weapon states were promoting vertical proliferation, they said. They were developing tactical nuclear bombs which were meant for actual use. The Iranian speakers dwelt upon several other emerging threats. For example, many countries were adopting aggressive military doctrines in the name of fighting terrorism. Even China, which talks about peaceful development strategy, was modernising its army and experimenting with anti-satellite weapons. The US was acting as a global policeman. Japan was showing military revival. A new arms race had begun in the name of fighting terrorism. Military expenditures were increasing sharply. These trends threaten strategic stability in the world. The world has become more unsafe after the cold war. A new kind of race between the major powers and regional powers had erupted.

Globalisation is the overriding contemporary reality. All countries, including India and Iran, have to adjust to the force of globalisation. It has both positive as well as negative features. On the one hand, globalisation has helped free flow of people, ideas, trade, culture, capital and created inter-dependencies which would make the world more secure. On the other, it has created inequality, porous borders, misuse of technologies by terrorists, criminals. It has increased the vulnerabilities of developing countries to developments which were not entirely in their control. In the Indian perspective presented at the Dialogue, it was felt that the challenges of modern times can be

met only through dialogue, mutual understanding and collective concerted action. India and Iran, both multi-ethnic, multi-cultural civilisations can set the pace. India-Iran dialogue can be useful in this regard.

Regional Security Environment

Considerable time was devoted to discussing regional security issues. The Iranian speakers described Iran as being located at the juncture of Central Asia, West Asia, Persian Gulf, the Caucasus and South Asia. All these regions have a number of difficult security issues. Iran has fifteen neighbours with differing political and economic systems. Security and stability do not necessarily go hand in hand in these regions. Democracy sometimes brings to power radical regimes. In Iraq, the United States has been defeated but it is not clear as to who is the winner. The Iraq situation can be characterised as a battle amongst the different winners. Iran does not dictate the situation in Lebanon, Middle East or on Palestinian issues. But, still these issues have an impact on Iran. That is why Iran has to have specific positions on these issues. It is also the reason why Iran is regarded as a rising power in these regions.

An interesting but contrasting perspective on security dynamics in West Asia was presented by an Indian speaker. According to this view, terrorism emanating from West Asia has been highly securitised. No one is trying to deconstruct terrorism by asking the “why” question. The problem of terrorism cannot be sorted out unless the “why” question is asked and answered. The Iranian nuclear question has bred insecurity in the region. According to the view presented at the Dialogue, the world has a feeble case on Iran’s nuclear programme because there is no credible evidence that Iran is developing a nuclear weapon. In 2002, it was found out that Iran was trying to develop a nuclear weapon but since then has stopped doing so. Iran has used the nuclear question as a major opportunity for itself. It has taken the high moral ground because it knows that the world has a weak case. The reality is that for America, Iran is important because of Iraq, Afghanistan, oil and Israel. These are the real issues and not the nuclear issue. The Iranian speakers were emphatic that Iran does not have a nuclear weapons programme. A

nuclear weapons programme, they said, would not help Iranian security.

Bilateral Relations

India-Iran relations were discussed at length during the Dialogue. The Iran-Pakistan-India pipeline was a major point for discussion. It was felt that India-Iran relations have not developed to their full potential. In recent years, the Iranians have been somewhat concerned about India's growing relationship with the US. *It was articulated that the Indian vote at the IAEA against Iran has hurt Iran. In this context, the Indian speakers explained that while Iran has the right to develop nuclear energy, it should abide by its obligations under the NPT. Indo-US relations are not at the expense of any third country.*

There are obvious complementarities between India and Iran. Both want to see peace and stability in the region. Both are opposed to a unilateral world order. Iran and India have in the past cooperated with each other to stabilise Afghanistan. Indo-Iranian cooperation can be a factor of stability in Afghanistan. India is a major consumer of Iran's oil. The Iran-Pakistan-India oil pipeline and the LNG deal signed by the two countries in 2005 can provide a fillip to sustainable relationship between the two countries. There are opportunities to be tapped in transportation, refinery and industrial sectors. The deep historical and cultural ties between the two countries provide the foundation for further development of bilateral relationship in the 21st century. However, there are cogent reasons as to why India-Iran relations have not developed to their true potential. There have been misunderstandings in the recent years on account of India's relationship with the US and Israel. Iran is also constrained because of international sanctions.

Despite these difficulties a number of constructive suggestions were made to take India-Iran relations forward. India and Iran held a Joint Economic Commission meeting in November 2008 during which a blueprint for economic cooperation was agreed to. The two countries have yet to sort out their differences over the IPI gas pipeline and the 2005 LNG deal on which they need more discussions.

The Iranian participants at the Dialogue were all for closer Indian-Iranian ties. They were in favour of an India-Iran Joint Steering Committee to oversee the bilateral relationship. They pointed out that a number of prominent Iranian leaders including the Foreign Minister and their current Ambassador in India had studied in India. India should take advantage of the pro-India leanings of the Iranian leaders. The Iranian delegation suggested the setting up of a Joint Chamber of Commerce, establishing of contacts between the Iranian provinces and Indian States, joint ventures in engineering and energy sectors, closer ties between banks and, contacts between parliamentarians.

Another suggestion made at the Dialogue was that Iran should not be seen through the Pakistani prism. Therefore, the Indian Ministry of External Affairs should not club Iran with Pakistan and Afghanistan in the PAI Division as Iranian policies have an impact over much wider region in the Persian Gulf, Central Asia and West Asia.

It would appear that there has been a lack of engagement between Iran and India at the popular level. The Iranians are keen to have good relations with India. But, India needs to explain its policies to the Iranians more effectively. India also needs to reiterate its commitment to closer India-Iran relations. Despite the current difficulties, India needs to constantly emphasize its civilisational bonds with the Iranians. India-Iran ties are important for regional stability. Moreover, Iran can be a partner in India's growth as it can fulfill some of the rising energy demand in the country.

It is an opportune moment to get over the minor irritants and move forward. There are a host of issues on which the two countries can cooperate. It is very important not to let irritants fester and spoil the relationship. There is urgent need for an Indian-Iranian dialogue on the developing situation in Afghanistan. The increasing influence of Taliban in the region is also a cause of worry. The implications of the military and economic rise of China are huge and need to be understood. While the governments can address the issues of day-to-day importance, the scholars of the two countries should have an exchange of views on the changing global and regional environment and how it affects the two countries.

IDSAs and IPISs are well poised to start a regular Strategic Dialogue amongst themselves in which future scenarios can be worked out by the two sides. It will also be useful for the two governments to set up a joint Eminent Persons' Group who can meet regularly. The Group can discuss and propose workable ideas for the consideration of the two governments.

There is no alternative but to look ahead. The way forward is through engagement and dialogue at official and non-official levels.

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Annexure-I

**Address by H.E.Mr. Pranab Mukherjee, Minister of
External Affairs at a Seminar on "India and Iran :
Ancient Civilizations and Modern Nations" in Tehran**

02/11/2008

Your Excellency Mr. Manouchehr Mottaki, Minister of Foreign Affairs

Mr. M. Mohammadi, President, Institute of Political and
International Studies,

Mr. Amit Dasgupta, Joint Secretary (Public Diplomacy), Ministry of
External Affairs

Distinguished Guests,

Speaking in Tehran, half a century ago, India's first Prime Minister Jawaharlal Nehru had said that he doubted if there are any two countries in the wide world which have had such close and long historical contact as Iran and India. Jawaharlal Nehru also said, during that very visit, that even as we take pride in the great past of Iran and India, we have to inevitably come to grips with the present and peep into the future.

I speak before you today in that perspective, with the benefit of a continuing close and rich bilateral relationship between our countries.

There are moments in the history of nations which are of great salience. It is my belief that India is poised at a stage when its creative strength derived from a rich civilizational history, has been unleashed. This may enable a move forward into a future where, for India, the next half century will be very substantially different from the one that has elapsed. In a democracy it is inevitable that the state will use its resources and capabilities to improve and

increase the benefits available to its people. Our foreign policy is a key instrument in this endeavor, it will help us realize the goal of a vastly improved quality of life for our people. More than sixty years after our independence, it is worthwhile to examine the considerations that inform and mould the spirit of our foreign policy.

First and foremost is the fundamental principle of independence and freedom of thought and action. We are open to all counsel and manner of views but our assessments and policies are ours alone.

Secondly, we are instinctively multipolar and this inclination to multipolarity draws from the size of our country as also the magnitude of its diversities in terms of faith, language and region.

Thirdly, we have opted consciously for pluralism, secularism and democracy as our own chosen path to development and nationhood. This means that to the existing pluralities and diversities of India, that of political persuasion or belief has been added, which over the years has become as much part of our national fabric as any other attribute.

Finally, we are in the midst of a deep-rooted socio-economic transformation in our country. This major churning nevertheless takes place in a complex and very difficult regional and international environment. We have, therefore, both to engage purposefully with the outside world and yet at the same time keep our own national moorings intact.

Our foreign policy is dictated by the interest of our people for growth and development. This is supplemented by an equally strong impulse of engagement with the world order - but, on terms which our people and our principles would find acceptable. Equity has been at the core of our approach. We also have our own history of colonial suffering and are conscious of the manipulation of international law by those who drafted it. We have therefore consistently urged that multilateralism should be tempered with an appreciation of the inequities in the overarching frameworks governing international order.

We have always played by the rules of the existing world order when we have perceived them to be equitable and consequently

agreed to accept them. India has always been a responsible member of the international community. However, when engagement was not possible without compromising the principle of equity and non-discrimination, we did not accept the norms. 'Independence' and 'equality' have always been at the core of our foreign policy, no matter how difficult the circumstances, and even when we stood alone.

Our position on the Nuclear Non Proliferation Treaty (NPT) and the Comprehensive Test Ban Treaty (CTBT) bears this out. In both these treaties, we faced, and sometimes faced alone, the brunt of critical international opinion and pressure simply because we refused to engage on terms which were fundamentally unequal. It is not that we are not opposed to nuclear weapons. From the time of the Mahatma Gandhi, Jawaharlal Nehru, Indira Gandhi and down to Rajiv Gandhi's Plan for Universal Nuclear Disarmament, our instinctive abhorrence for nuclear weapons has been clear. We did not sign the NPT in the late 1960s because it was a fundamentally unequal treaty. But we ensured that our practice and policies were fully consistent with the objectives of non-proliferation. Being a dissenter at that time did imply pressures, costs and burdens. But, in our view, to become party to an unequal arrangement would have been worse. In the end, we stand vindicated. We were never on the wrong side of international law or non-proliferation efforts.

Today we live in an inequitable, yet more interdependent, world order. The Cold War has ended, processes of globalization have accelerated and trans-national challenges are growing. Our needs from the world have changed, as has our capability to achieve these needs. This gets reflected in how India perceives its own future, its ties with its neighborhood and its approach to the larger international order. Yet no matter how complex the issue or no matter how intense the pressures we face, the abiding faith in our approach remains self evident. Our positions on issues of UN reforms, environment, climate change and WTO are reflective of this.

I would now take a look at the broader and deeper aspects of our bilateral relations with Iran. Our histories, both ancient and modern, indicate certain common interests and perceptions. Regional stability is a foremost consideration for both of us. After all, we did share a

common border till 1947 and today share borders with Afghanistan and Pakistan, and developments in both these countries affect us vitally. Central Asia and the Persian Gulf States are in our proximate neighborhood. We share the same seaboard and the waters of the Indian Ocean present to us both challenges and opportunities. These waters can bring other powers to our very beaches at the same time that they link us to the wider worlds of trade, technology and commerce. The proximity in our respective assessments of the regional situation is therefore natural. Recent history has deprived us of geographical contiguity but we are still and will always remain close neighbors because of our civilisational and historical links and the contemporary substance of our relationship.

Secondly, fundamental complementarities bind us together. Iran is a major energy exporter; we are amongst the fastest growing energy market in the world.

These two fundamentals are the forces that shape our strategies and assessments and will continue to guide us in broadly similar directions. Of course, and this is natural, we will have diverse approaches on many issues. But notwithstanding such divergences, the impulse towards similar positions on a whole range of economic, political and strategic issues will remain strong.

I will outline briefly as to how we view the issues of common interest between India and Iran, as also the convergence in our assessments.

First, the rise of Asia. Perhaps more than any other part of the world, Asia is undergoing sweeping changes that impact on its political, economic and social structures. It is inevitable that this would result in new political ties, trade and economic links and increased opportunities for people-to-people contacts. Asia's share in the global GDP at present is about 25%. However, it is estimated that it will rise to more than 50% by 2025. By 2010, 60% of the world's young population between the age group 20 to 35 is likely to be Asian.

The era of globalization has increased our external interaction and, therefore, it is only natural that foreign relations have assumed greater importance. Consequently, Asia's relations with external factors such as EU, Russia and the US, will play a significant role.

Interactions among Asian countries will contribute towards consolidating markets, increasing intra-Asian trade and exchange of technology, investment and managerial skills while forging these linkages that will help improve our living standards and contribute to health & education and poverty alleviation.

The threats of terrorism, energy security, food security, climate change, environment and natural disasters, throw new challenges before the Asian nations. India, as the largest democracy of the world, is mindful of its responsibilities in meeting these challenges.

We are extremely concerned about climate change as all indications point to the fact that developing countries would bear a disproportionately severe impact of its adverse effects, even though responsibility lies with those countries which have shown relentless consumption since industrialization. We have made it clear that in accordance with the principle of common but differentiated responsibility, we expect the developed countries to commit themselves to significant, binding emissions reductions.

Second, India's ties with the Persian Gulf region. Our ties with this region go back many centuries. Today, we have a natural affinity for each other. The Persian Gulf is a major source of energy and we are one of the biggest consumers of the world. About 5 million Indians are also involved in economic activities in the Persian Gulf.

Third, the issue of Palestine, which is of abiding concern. The rights of the Palestinian people remain to be achieved. This situation requires to be resolved at the earliest. Not only does it cause deep harm to the people there, it also has a negative resonance across the region. India remains convinced that a just and comprehensive solution to the Palestinian question is achievable. We continue to extend our full support to the Palestinian people in realizing their aspirations for a sovereign, independent, viable and united state living side-by-side, and at peace with the state of Israel.

Fourth, Iraq. India has long-standing, civilisational ties with Iraq. We wish to see the Iraqi people freely determine their political future and exercise control over their natural resources.

Fifth, our common neighbour Pakistan. In recent years, India has pursued a policy of positive and substantial engagement with Pakistan. We wish to address issues that have affected our ties over the last several years. We also wish to make progress in areas such as enhancement of physical connectivity and upgradation of economic ties. Through the mechanism of the composite dialogue, we have addressed a number of serious issues of bilateral interest. Peace, stability and development in Pakistan and our immediate neighbourhood are in the interest of India, Iran and our region, enabling us to concentrate on economic development.

Sixth, the issue of Afghanistan. India has had a historically friendly relationship and we are actively engaged in the reconstruction and development of Afghanistan. Our assistance commitment to Afghanistan since 2002 includes development initiatives in key infrastructure sectors. We are engaged in reconstruction activities such as power projects, power transmission lines, roads, education etc. We have made a commitment of US\$ 1.2 billion towards reconstruction. Iran and India have a common interest in peace and stability there.

Terrorism now constitutes one of the most serious threats to global peace. Terrorists attacked the Indian Embassy in Kabul, killing five Embassy personnel, including two diplomats as well as over 50 Afghan civilians, including young girls on their way to school. The terrorists may claim to act on behalf of religion, but in truth they have no religion, because the essence of religions is peace and universal brotherhood, and not violence and the violation of human rights.

Seventh, the Indian Ocean rim, which today has greater economic and strategic value to the world economy than ever before. India has a natural and abiding stake in the safety and security of the sea-lanes of communication from the Malacca Straits to the Persian Gulf. We have endeavored to promote greater cooperation between Indian Ocean rim states. Existing or emerging threats of piracy, drug trafficking, proliferation of weapons of mass destruction, closure of choke points, environmental hazards, regional conflicts and other developments are of equally vital concern to us. We have sought to

encourage economic cooperation in the area through Indian Ocean Rim Association for Regional Cooperation (IOR-ARC).

For instance, today international shipping in one of the world's major waterways is threatened by piracy off the Somali coast. India is ready to play its part in combatting this menace with the international community under the leadership of the UN.

Finally, I will touch upon the "new" India of today and our place in the international matrix, as well as our main priorities and perceptions of our bilateral relations with Iran. India has steadily pursued the goal of economic development since Independence, through self reliance and cooperation. Today we are a trillion dollar economy, which has grown at an average rate of nearly 9% per annum for the past five years. India has conclusively demonstrated that substantive social and economic progress is possible through true democratic governance. In our success, we have proved wrong the skeptics who had argued that democracy could not be sustained in India, given its continental size, its multi-ethnic and multi-religious character, as well as its large socio-economic disparities. We are working on a realization that an economy that is growing at 8 to 9 percent would require investments, resources, energy and technology at an hitherto unprecedented scale. India is strengthening her relationships with all the major powers - USA, Russia, EU, China and Japan as well as with emerging economies in Asia, Latin America and Africa. The Indo-US civil nuclear agreement and the India-specific safeguards agreements with IAEA were made possible due to the international community's confidence in India's impeccable non-proliferation credentials, and its economic growth potential. Given that more than 50% of our energy requirements are met by coal and fossil fuels, and the sharp rise in the fuel prices, seen in conjunction with our huge energy requirements for the next 20-25 years, we have come to the conclusion that there is no alternative but to develop nuclear energy. The basic imperative of the India-US civil nuclear agreement is the same as that which binds us to the IPI gas pipeline - our energy needs are too large to be met from any one single source.

It is in this changing context that we need to look at India-Iran relations afresh. We have close civilisational ties, and share common interests and perceptions on many regional issues. In the vital area of trade-economic relations, important projects in sectors such as oil and gas, steel, fertilizer, infrastructure and railways are being discussed and implemented. The Government of India is encouraging its public and private companies to invest in Iran. We hope that such projects for mutual benefit would continue to enjoy the support of the Government of Iran. ONGC Videsh Ltd. (OVL) has discovered significant quantities of gas and oil during exploratory work done during 2004-07 at an estimated cost of US\$ 90 million. OVL is also in talks with Iranian companies for development of the Azadegan Gas Field and Phase 12 of the South Pars gas field. We would like Iranian investment in India, especially in the oil and gas sectors. Iran is a very important producer of hydrocarbons and we are a major consumer. There could be mutually beneficial long-term arrangements, including our agreement on supply of LNG or the proposed Iran-Pakistan-India gas pipeline project. In the past, both countries had successfully collaborated in setting up of the Madras Refinery Project, the Kudremukh Iron Ore Project and the Madras Fertilizer Project besides the Irano-Hind Shipping Company. We lay particular emphasis on signing of Bilateral Investment Protection and Promotion Agreement and the Double Taxation Avoidance Agreement to promote and protect bilateral investments. We would like to see progress on projects pertaining to the Chabahar port.

We have also stressed the importance of further strengthening cultural and people-to-people links, which would continue to be the bedrock of our relations. But most of all, India and Iran are close neighbours. We share a complex challenge in our region but are also best placed to appreciate the potential this region has. Throughout history, our countries have seen an inter-mingling of our people and cultures. Our civilizations reached unparalleled heights of sophistication and achievement when the rest of the world was in darkness. We have also faced external invasions and hegemonies and successfully overcome them. From this shared history we have derived our own principles and norms of

engagement with the outside world. We can use this shared history to our mutual benefit and in the interests of our people.

Your Excellency, Mr. Foreign Minister, I am glad to join you in this forum in Tehran. I am confident that the participants in today's Round Table will have serious deliberations on all aspects of our bilateral relations and will come up with a good report on how to strengthen our relations even further. I extend to you the warmest good wishes of the people and Government of India and through you to your leadership and your Government. I am sure our friendship, cooperation and good faith will stand our countries, our region and the entire world in good stead.

Source: <http://meaindia.nic.in>

Annexure-II

**Opening Statement by External Affairs Minister Shri
Pranab Mukherjee at the Joint Press Conference with
Foreign Minister of Iran Mr. Manouchehr Mottaki**

07/02/2007

EXTERNAL AFFAIRS MINISTER (SHRI PRANAB MUKHERJEE):
I am indeed happy to be here in Iran. I am grateful to His Excellency Mr. Mottaki for the warm welcome extended to me and my delegation. India and Iran are two neighbouring civilizations whose ties have withstood the vagaries of time. The cultural bonds between our two countries find expression in the lives of our people and in the monuments and records that are common inheritance. His Excellency Mr. Mottaki was in India in November last year. Our discussions today on various aspects of our excellent bilateral relations were in continuation of the free and frank exchanges we had during this visit. We reviewed the progress on various agenda items of the Joint Commission and laid stress on implementation of decisions taken by the two sides. In this regard, we placed particular emphasis on early conclusion of negotiations of signing Bilateral Investment Protection and Promotion Agreement and the Double Taxation Avoidance Agreement. Our bilateral trade valued at over six billion dollars is growing. These agreements will generate greater confidence among the private sector of the two countries which are increasingly driving the bilateral commercial relations. We also discussed issues related to energy and transit opportunities of our companies. Iran is a very important producer of hydrocarbons and we are a major consumer. There could be mutually beneficial, long-term arrangements including our agreement on supply of LNG or the proposed Iran-Pakistan-India gas pipeline project. We also stressed on further strengthening the cultural and people-to-people link that would continue to be the bedrock of our relations. We also

discussed the nuclear issue. We believe that the Iranian nuclear issue should be resolved peacefully and through dialogue and negotiation. The IAEA should play a central role in resolving the outstanding issues. A peaceful, negotiated solution would be facilitated by enhanced cooperation between Iran and IAEA and a demonstration of restraint and flexibility by all sides. We also discussed the regional situation. I emphasized the importance of peace and stability in the region for our energy security and the safety of Indians working here. I noted the significance we attach to Iran as a factor of stability in the region. I expressed our appreciation of the cooperation extended by Iran to our assistance projects in Afghanistan. India would also like to see a stable, peaceful, prosperous, united and democratic Iraq. Later today, I will be calling on His Excellency President Mahmoud Ahamedinejad, and His Excellency Chairman of the State Expediency Council. I will also meet Secretary of the Supreme National Security Council Dr. Hassan Rohani. Good relations between India and Iran not only benefit our two countries but also impact on the entire region. Based on my productive exchanges with His Excellency Mottaki, I am satisfied with the outcome of the visit. Thank you.

Source: <http://mea.gov.in/speech/2007/02/07ss01.htm>

Annexure-III

**Suo Motu Statement by Prime Minister,
Dr. Manmohan Singh on Iran in Parliament**

17/02/2006

Taking into account the concerns that have been raised about India's vote on the Iran nuclear issue at the meeting of the Governing Board of the International Atomic Energy Agency in Vienna, on February 5, 2006, I rise to apprise this august House of the facts of this matter. Let me begin by affirming that India's vote on the IAEA resolution does not, in any way, detract from the traditionally close and friendly relations we are privileged to enjoy with Iran. Indeed, India-Iran ties, as we have repeatedly emphasized, are civilizational in nature. We intend to further strengthen and expand our multifaceted ties with Iran to mutual benefit. Let me also state that the importance of India's relations with Iran is not limited to any single issue or aspect. This relationship is important across a wide expanse of cooperation, both bilateral and multilateral. We also cooperate on regional issues. We value this relationship and intend to do what we can to nurture our bilateral ties. Let me reiterate in this context that we are committed to the proposed Iran-Pakistan-India gas pipeline. The economics of this project is currently under professional investigation by internationally reputed consultants. This is a necessary step in taking the pipeline project forward. On the specific issue of Iran's nuclear programme, let me reiterate what I have said publicly on several occasions. As a signatory to the NPT, Iran has the legal right to develop peaceful uses of nuclear energy consistent with its international commitments and obligations. It is incumbent upon Iran to exercise these rights in the context of safeguards that it has voluntarily accepted upon its nuclear programme under the IAEA. These rights and obligations must also be seen in context of developments since 2003, when IAEA began seeking answers to a number of questions arising from Iran's nuclear

activities, some of which were undeclared to the IAEA in previous years. Subsequently, in context of these demands, Iran did extend cooperation to the IAEA in investigations of its some of these activities. In November 2004, Iran agreed with the EU-3 (France, Germany, and the UK) to voluntarily suspend all enrichment and reprocessing activities until questions relating to its past nuclear activities were clarified by the IAEA. However, since August last year, Iran has renewed production of uranium hexafluoride and thereafter, has resumed uranium enrichment. Successive reports of the Director General of the IAEA have noted that while Iran's cooperation has resulted in clarifying a number of questions, there remain many unresolved questions on key issues. These include the use of centrifuges imported from third countries, and designs relating to fabrication of metallic hemispheres. Hon'ble Members are aware that the source of such clandestine proliferation of sensitive technologies lies in our own neighbourhood, details of which have emerged from successive IAEA reports. This august House will agree that India cannot afford to turn a blind eye to security implications of such proliferation activities. The objectives of upholding Iran's rights and obligations and our security concerns arising from proliferation activities in our extended neighbourhood have shaped our position. Therefore, our approach has been consistently in favour of promoting all efforts to find a solution, based on acceptable mutual compromises, in which Iran's interests and the concerns of the international community would be addressed. We have consistently worked to promote a consensus in the IAEA towards this end. This has been the logic of our stand at the IAEA Board of Governors Meetings both in September 2005 and earlier this month. I might remind Hon'ble Members that it is only on these two occasions that the Resolution that resulted has not been a consensus one, and a vote has been necessary. Despite that, in the latest vote this month, the Resolution not only had the support of all P-5 countries including Russia and China, but also of important NAM and developing countries such as Argentina, Brazil, Egypt, Ghana, Singapore, Yemen and Sri Lanka. The resolutions passed in September last year and earlier this month underlined the need for time to be given for diplomatic efforts to continue. The recent resolution of February 5 asks the Director General of IAEA to inform the UN Security Council

of the status of negotiations with Iran, and the steps that Iran needs to take to address these questions. It calls for continued diplomatic efforts including through exploration of the option provided by Russia, which we have supported. Hon'ble Members are aware that Russia had offered to locate a joint venture project on Russian soil to address Iranian needs for enriched uranium, provided Iran suspends its enrichment programme to increase international confidence regarding the unresolved questions of the last two decades. Russia and Iran are currently in discussions on the subject, and we remain hopeful of a positive outcome. It is our hope and belief that the issues that have arisen can still be resolved through discussion and dialogue. Mr. Speaker, Sir, I have set out the background in which we have taken a position at the IAEA. I would like to reiterate our unshakeable conviction that such a sensitive issue, which concerns the rights and international obligations of sovereign nation and a proud people can only be addressed through calm, reasoned diplomacy and the willingness on all sides to eschew confrontation and seek acceptable compromise solutions. We are therefore deeply concerned by escalating rhetoric and growing tensions and the possibility of a confrontation over this issue. This is a matter of concern for us as tensions in this region ³/₄ where our vital political, economic and security interests are involved ³/₄ affects us directly. The region hosts 3.5 million Indian citizens whose welfare is a major concern of my Government. We therefore call upon all concerned to exercise restraint, demonstrate flexibility and continue with dialogue, to reach an amicable solution. As I mentioned, there will be another meeting of the IAEA Board in March this year at which a full and regular report will be presented by the IAEA Director-General. In the days to come, we will support diplomatic efforts in this regard, drawing upon our friendly relations with all the key countries involved. The Government is conscious of the need to balance several important considerations in this regard. We have a strong and valuable relationship with Iran which we would like to take forward in a manner that is mutually beneficial. We have great respect and admiration for the Iranian people with whom our fraternal ties go back several millennia. We have every intention of ensuring that no shadow is cast on these bonds. In the overall context that I have outlined in detail, I am confident that

this august House will agree that the stance taken by this Government has been consistent and in keeping with our own well considered and independent judgment of our national interests. I am confident that this policy will receive the support of this House and our nation.

Source: <http://mea.gov.in/speech/2006/02/17ss01.htm>

Annexure-IV

**Opening Statement by EAM at the 13th Session of the
India-Iran Joint Commission, Tehran**

13/12/2003

Excellency, distinguished colleagues from Iran, It is a privilege for me to be in this ancient land, which has been a cradle of human civilization. It is a further honour to chair with you this forum which aims at providing a contemporary colour to our historic, civilisational ties. It is a matter of great satisfaction that India-Iran Joint Commission has met at regular intervals and has ably guided our trade and economic cooperation as well as our relationship in other spheres such as culture and science and technology. Excellency, with the recent visits of Prime Minister Vajpayee to Iran and that of President Khatami to India, we have consolidated our political and diplomatic ties setting the ground for a strategic engagement. Happily there are no discordant notes in our relationship. Our views on a range of regional and international issues - be it Afghanistan or Iraq - are congruent and our cooperation is contributing to the stability of the region. Our biggest challenge is to transform this identity of views, this historic mutual affinity and understanding, into a vibrant economic relationship and a strategic partnership in areas such as energy and transit. I look forward to a comprehensive review with you of progress in defined areas since the last Joint Commission Meeting. During the course of our discussions, I hope to discuss with you ways and means to move from the general to the specific, from proposal to project and from idea to execution in a range of areas. Excellency, our bilateral trade has been consistently over US \$ 2 billion in the last couple of years. Traditionally, oil imports by India has dominated our trade exchanges. It is encouraging that the recent trend of our bilateral relations is reflecting more of a partnership being forged between two large growing economies. The non-oil segment of our bilateral trade has

shown appreciable growth and we are happy that Indian exports to Iran have considerably increased. Some of the Indian goods identified for greater import by Iran at the last Joint Commission Meeting such as automobile components, drugs and pharmaceuticals, engineering goods etc. have contributed to this growth. As regards Iranian exports, we are your 7th largest non-oil export market. We may still say that we have hardly begun to realise the vast potential of our bilateral trade. We must work harder to diversify the basket of trade, remove psychological barriers to purchase of each other's items and explore aggressively the potential of investment driven trade. I may say that in a number of areas like engineering goods, chemicals and petrochemicals, automobile and automobile components, drugs and pharmaceuticals, steel etc., Indian products today match the best in the world and are being successfully exported to many countries at very competitive prices. In the services sector, consultancy and executing projects, Indian companies have made a name for themselves with vast availability of skilled manpower and best managerial practices. Indian companies have offered their services in various fields – railways, telecommunication, water and power sector, paper and pulp, textile, cement, and small and medium enterprises sector. Several offers for various projects of signalling, electrification, developing master plan for transport for the country etc. have been submitted in the field of railways by RITES and IRCON. The two sides are in the process of establishing a Joint Railway Committee and we hope that it would enable greater focus in this area of cooperation. In the field of telecommunications, Indian companies like TCIL and ITI have participated for tenders in Iran after being short-listed. They have also secured purchase orders from Iranian companies of communications equipments and material. There is a need to move forward on these projects and encourage this trend. India can claim having best skills in the world in modernization and capacity enhancement of cement manufacturing plants and can help Iran in this field. There are some very successful partnerships already operating between the two countries. In all these fields, human resource development by training and skill enhancement form an important part of our bilateral cooperation and the two sides should take advantage of exchanging experience in their respective areas

of strength. The growth of trade and commercial links require facilitation of smooth movement of cargo, development of transit infrastructure, simplified and harmonized procedures along the transit route. Iran's unique geographical position makes it a natural transit hub for South Asia, Afghanistan and Central Asia with multiple transit routes that bring down costs, provide multiple options to landlocked countries and encourage trade. The development of North South Corridor founded by India, Iran and Russia is proceeding along these lines and has demonstrated that when fully developed, it would cut transit time considerably. It is a great example of regional cooperation which shows how such a vision can galvanize trade and economy of the whole region. India, Iran and Afghanistan are working together to develop the Chabahar-Milak-Zaranj-Delaram route to Afghanistan. India has committed USD 70 million for the construction of the Zaraj-Delaram road and we would start executing the project once we have examined the detailed project report already available with us. An Indian consortium has been engaged by Iran's Ports and Shipping Organization for work on development of Chabahar port and railway link between Chabahar-Fahraj-Bam. All these developments in different fields indicate that we are on the right track. Support from the two governments is already there and the business communities of the two countries should be encouraged to exploit available opportunities. Their interaction can be catalysed by high-visibility projects and events. We can now begin actively the utilisation of the US \$ 200 million line of credit for infrastructure projects in Iran. I am happy to learn that an exclusive India fair was organised earlier this month in Tehran. There has been greater participation from both sides now in each other's trade fairs. Speedy finalisation of the Bilateral Investment Promotion and Protection Agreement and the Double Taxation Avoidance Agreement can contribute to enabling environment of trade and investment. Excellency, let me touch upon the issue of energy sector cooperation which has seen rapid progress after the visit of President Khatami. It is an area of strategic potential. You have the upstream resources and we have the nearest downstream market of such size and diversity that the blending of the two is inevitable. The MoU on hydrocarbons sector cooperation has laid down the framework of

development of our partnership in this field. There have been negotiations between the two sides on the sale purchase agreement for LNG. India has world-class engineering and refining expertise and we can help you upgrade your refineries and execute downstream projects. We were informed of your decision to clear Indian Oil's proposal for building a marine oil tanking terminal at Qeshm. While an Indian consortium was awarded a contract for development of Farsi block last year, some other oil exploration blocks have been offered for Indian companies on competitive basis. We have directed our oil companies to study the details of south and north Azadegan and other oil fields and submit competitive offers. In the field of CNG, India can offer its expertise in promoting CNG use for vehicles. There are great prospects in training and exchange of expertise in hydrocarbons sector. We have continued with the feasibility studies of various options of transfer of Iranian gas to India. We would like to get a sense of results of these feasibility studies. The India-Iran Joint Committee on transfer of gas comprehensively reviewed the progress of feasibility studies during its recent meeting in New Delhi. It plans to meet in Tehran soon to further discuss these issues. Excellency, science and technology form an important field of our cooperation. Both of us have resources available for research and development with a large pool of scientists and researchers. The Joint Working Group on cooperation in Science and Technology held its first meeting in Tehran in October and has finalized a Programme of Cooperation that lists concrete proposals for cooperation in IT, Biotechnology and Technology Management. Apart from HRD, science and technology cooperation has its industrial applications too. Knowledge-enabled services and manufacturing, especially IT and Biotechnology, are the key today to economic dynamism and competitiveness. We are ready to share our experience in these areas with friendly countries such as Iran. I am happy to note that important progress has already been made. APTECH has entered into a joint venture with an Iranian company to provide quality IT education in Iran; another Indian company TRANSGEL has begun collaboration with an Iranian partner in the pharmaceuticals sector. I believe that substantive interaction is also planned between NASSCOM and Iranian IT companies early next year. Again we could provide visibility to this process through one-

or two projects, such as the development of an IT Park in Iran. In the field of agricultural cooperation, there is a great potential of mutually beneficial scientific exchanges. A Joint Working Group has been formed which held its first meeting in Tehran in May this year. The Indian side has recently finalized a Work Plan for the next two years and it has been submitted to the Iranian side for comments and suggestions. We are happy that a large number of Iranian agricultural scientists pursue higher research in India's various agricultural universities. We would be happy to accommodate greater numbers of your experts for research in India. I would like to draw your attention to ban in Iran on import of wheat from India due to apprehension of Karnal bunt infestation. In fact, Karnal bunt is found in a limited geographical region in India. We would welcome an Iranian expert team to visit India where we can demonstrate the availability of disease-free wheat in large parts of India. There are other varied spheres of potential cooperation in agriculture. We have prepared for the visit of your Agriculture Minister to India this month and we hope to introduce him to Indian capabilities. Excellency, the private sector in India has come a long way since we began economic reforms more than a decade ago. Indian companies can hold their own against the best in the world in several areas like IT, pharmaceuticals, textiles, steel and automobiles. Foreign exchange is no longer a problem and the Government is encouraging investment abroad. Therefore we have to look at commercial cooperation in a new manner. We must encourage joint ventures that exploit on the one hand Iran's abundant energy resources, its skilled population and its strategic location at the heart of important markets, and India's large market and emerging capabilities on the other. In fact Indian and Iranian companies can come together to exploit opportunities available in Central Asia, Afghanistan and Iraq. At the same time we must provide an enabling framework for trade to grow. There is a regional and global context to trade liberalization. Private businessmen need to be kept constantly on their toes and need to be encouraged to look at areas of opportunity. I look forward to hearing from you on these and other issues during the course of our discussions. I would conclude by reiterating that India views its relationship with Iran from a long-term perspective of stability and growth in India's

extended neighbourhood. The Indian leadership is determined to expand areas of our cooperation and dialogue. We firmly believe that strengthened economic linkages between our two countries would provide the necessary ballast to our efforts to forge strategic links. Such links are also to the long-term benefit of our two peoples whose socio-economic development is the primary goal of the two governments. **Thank you.**

Source: <http://mea.gov.in/speech/2003/12/13ss01.htm>

Annexure-V

**The Republic of India and the Islamic Republic of Iran
"The New Delhi Declaration"**

25/01/2003

Vision of a strategic Partnership for a more stable, secure and prosperous region and for enhanced regional and global cooperation
The Republic of India and the Islamic Republic of Iran: Conscious of the vast potential in the political, economic, transit, transport, energy, industries, science and technology and agricultural fields and of the benefits of cooperative endeavour, Determined to build a strong, modern, contemporary and cooperative relationship that draws upon their historical and age-old cultural ties, the advantage of geographical proximity, and that responds to the needs of an inter-dependent world of the 21st Century, Aware that their strengthened bilateral relations also contribute to regional cooperation, peace, prosperity and stability, Recalling and reaffirming the Tehran Declaration issued on April 10, 2001 jointly by H.E. Shri A.B. Vajpayee, Prime Minister of India and H.E. Hojjatoleslam Seyyed Mohammad Khatami, President of the Islamic Republic of Iran, which resulted in further strengthening of dialogue aimed at strategic cooperation. Declare as follows: 1. International developments since the adoption of the Tehran Declaration have reinforced their faith in and reconfirmed the values of pluralism, diversity and tolerance within and between societies. 2. International peace and stability, harmony between different religions, ethnic and linguistic groups, cultures and social systems can best be promoted through dialogue and acceptance of the right to one's own beliefs and values expressed and exercised without injury or slight to those of others and without a desire to impose them on others. In this context, they positively assessed the contribution made by the concept of Dialogue Among Civilizations

to address discord and differences in international relations.³ They evaluate positively the consolidation of Indo-Iranian bilateral relations since the Tehran Declaration. Meetings of the Joint Commission, the Strategic Dialogue, interaction between the Security Councils of the two countries, discussions on energy and security, and cooperation based on existing complementarities and diverse possibilities, including supplies, exploration, investment, exchange of technical expertise, and other interaction at government and private sector levels have all contributed to deepening of mutual understanding and confidence, which has provided, in turn, the basis for further consolidation.⁴ The two sides welcome the fresh impetus given to Science and Technology cooperation as also to cooperation in education and training since last year. They also note the potential of technologies, such as IT, to improve the lives of people in developing societies and agree to promote cooperation efforts to exploit this potential. They agree to promote fuller utilization of available capabilities for human resource development.⁵ The two sides affirm that their growing strategic convergence needs to be underpinned with a strong economic relationship, including greater trade and investment flows. The Ministerial-level Joint Commission, the Joint Business Council and economic and commercial agreements signed recently in this regard will play a critical role in this regard. They exhort the entrepreneurs in both countries to harness each other's strengths for mutual benefit and promote the process of economic rapprochement actively, including through expert studies on trade and investment facilitation, holding of exhibitions and seminars, promotion of business travel, and joint ventures.⁶ They note that the enabling legislations to promote vigorous trade and economic exchanges are primary requirements to promote business confidence between the entrepreneurs of the two countries. Many arrangements have already been concluded in this field. To consolidate the bilateral business environment further, they agree on the need to undertake expeditious negotiations, inter alia, for the conclusion of the Bilateral Investment Promotion and Protection Agreement, Double Taxation Avoidance Agreement and MoU on Energy Cooperation.⁷ India and Iran have a complementarity of interests in the energy sector which should develop as a strategic area of their future relationship. Iran with its abundant energy

resources and India with its growing energy needs as a rapidly developing economy are natural partners. The areas of cooperation in this sector include investment in upstream and downstream activities in the oil sector, LNG/natural gas tie-ups and secure modes of transport.⁸ They also decided to explore opportunities for cooperation in defence in agreed areas, including training and exchange of visits.⁹ They agreed to explore mechanisms to preserve and maintain the common cultural heritage, rooted in history, of the two countries. As part of efforts dedicated to preservation of this heritage, they agreed to release a commemorative postage stamp.¹⁰ Terrorism continues to pose serious a threat to nation States and international peace and security and should be eradicated. States that aid, abet and directly support international terrorism should be condemned. The international community should intensify its efforts to combat the menace of terrorism. They reiterate their resolve to strengthen the international consensus and legal regimes against terrorism, including early finalization of a Comprehensive Convention against International Terrorism. They agree that the combat against international terrorism should not be selective or based on double standards. Iran and India agree to continue joint cooperation to address the issues of international terrorism and trafficking in narcotic and psychotropic substances.¹¹ Both sides stressed that the interests of peace and stability in the region are best served by a strong, united, prosperous and independent Afghanistan. They assess highly the past and continuing cooperation between India and Iran in support of a united, sovereign and independent Afghanistan. They urge the international community to remain committed on long-term basis to the reconstruction and development of Afghanistan, to controlling re-emergence of terrorist forces, and spread of narcotics from Afghanistan. They agree that stability of Afghanistan is vital for the stability of the region. The recent trilateral agreement between the Governments of India, Iran and Afghanistan to develop the Chahbahar route through Melak, Zaranj and Delaram would facilitate regional trade and transit, including to Afghanistan and Central Asia, contributing thus to enhanced regional economic prosperity.¹² The two sides note with satisfaction the operationalisation of the North South transit arrangement and the

growing interest among other States in the region to participate in it. They reaffirm their commitment to develop the full potential of the North South arrangement, its infrastructure, desired certification and customs harmonization, expert studies and regular evaluation to aid its growth.¹³ India and Iran support efforts to resolve the situation relating to Iraq peacefully through political and diplomatic means under the auspices of the United Nations.¹⁴ The two sides reiterated their commitment to commence multi-lateral negotiations for nuclear disarmament under effective international control. They expressed their concern about restrictions imposed on the export of materials, technology and equipment to developing countries and acknowledged the right of these countries to research, production and use of technology, material and equipment for peaceful purposes.¹⁵ The two countries are resolved to exploit the full potential of the bilateral relationship in the interest of the people of the two countries and of regional peace and stability, and recognizing that the 21st Century holds unbound promises of welfare and progress through peaceful application of science and technology, promoting knowledge based societies, and tackling fundamental problems such as disease, hunger and environmental degradation.¹⁶ They directed that a time bound framework be worked out in agreed areas of cooperation, through the existing mechanisms of Joint Commission and Joint Working Groups, so that a firm and substantial economic and political underpinning would be provided for a strategic and long-term orientation to the bilateral relationship. Signed on the 25th Day of January 2003 at New Delhi in two originals, each in Hindi, Persian and English languages.

Prime Minister Republic of India

President Islamic Republic of Iran

Source: <http://mea.gov.in/speech/2003/01/25spc01.htm>

Annexure-VI

Text of Tehran Declaration

10/04/2001

The following is the text of the Tehran Declaration signed by the Prime Minister, Shri Atal Bihari Vajpayee and President of Islamic Republic of Iran, Mr. Ayatullah Mohammed Khatami in Tehran on April 10, 2001:

The Republic of India and The Islamic Republic of Iran hereinafter referred to as the Sides:

- Conscious of the civilisational affinities and historical links between the two countries.
- Noting their shared interests, common challenges and aspirations as two ancient civilizations and as two developing countries.
- Desirous of realising the vast potential of bilateral co-operation in political, strategic, economic, technological and cultural fields, including trade, industry, technology, energy, transportation and agriculture.
- Convinced that strengthened bilateral relations will be mutually beneficial and enhance regional peace and stability.
- Seeking to build upon the desire of the peoples of both countries to develop closer ties,

Declare and adopt the following:

The sides affirm that respect for sovereignty and territorial integrity, equality and non-interference in each other's internal affairs are fundamental principles of friendly relations amongst States. The

Sides affirm that only an equitable, pluralistic and co-operative international order can address effectively the challenges of our era.

Affirming that Dialogue among Civilisations, as a new paradigm in international relations, provides a conducive ground for constructive interaction and effective co-operation, the sides call upon the international community in this UN year of Dialogue among Civilisations, to rededicate itself to the principles of tolerance, pluralism and respect for diversity and to share its commitment to promote the concept of Dialogue among Civilisations.

The sides reaffirm their commitment to the goal of achieving general and complete disarmament under the effective international control and in this regard, emphasise the need for conclusion of a multilaterally negotiated agreement on the complete elimination of nuclear weapons within a specific time frame. Both sides express concern over restrictions on exports to developing countries of material, equipment and technology for peaceful purposes and reaffirm, in this context, the right of States to development, research, production and use of technology, material and equipment for such purposes.

The sides affirm the importance of preservation of peace, security and stability in the region. Mutually beneficial trade and transportation links as well as regional economic co-operation among the countries of the region are essential factors for progress and development of the entire region. The Sides note in particular the importance of secure and peaceful environment to the development of commerce and the promotion of economic growth in the Persian Gulf and the Indian Ocean regions. The Sides also consider security and stability in Central Asia of vital importance to them.

Both sides condemn terrorism in all its forms. The sides recognise the serious threats posed to nations states and international peace and security by the growing threat of international terrorism and extremism. They also condemn states that aid, abet and directly support international terrorism and call on the international community to intensify its efforts to combat international terrorism. They reiterate their resolve to work to strengthen the international

consensus and legal regimes against terrorism, including early finalisation of a Comprehensive Convention on international Terrorism.

The sides agree that the unity, territorial integrity, Independence and sovereignty of Afghanistan is crucial for the maintenance of peace and stability of the region. They agree that a military resolution to the civil conflict in Afghanistan is not possible and the establishment of genuinely broad-based government representing the aspirations of Afghan people is essential for the peace and stability in Afghanistan. They also express their deep concern over the growth of extremism and the threat of terrorism and illegal trade in narcotics emanating from the area of the extremists.

The sides consider globalisation as a challenge of our time. While it should offer certain opportunities for growth and development at present the benefits of globalisation are unevenly shared among the nations and much remains to be done to ensure that its benefits be comprehensively and equitably distributed at the global level.

Flowing from their commitment to promote the socio-economic development and prosperity of their people, the sides agree to launch a new phase of constructive and mutually beneficial cooperation covering, in particular, the areas of energy, transit and transport, industry, agriculture and service sectors.

The geographical situation of Iran and its abundant energy resources along with the rapidly expanding Indian economy and energy market on the other, create a unique complementarity which the sides agree to harness for mutual benefit. In this context they agreed to accelerate the process of working out an appropriate scheme for the pipeline options and finalising the agreement reached on LNG.

The sides reaffirm their commitment to strengthen transport and transit cooperation. In this context and in line with the proper implementation of Inter-governmental Agreement of International North-South Corridor between Iran, India and Russia and Agreement on International Transit of goods between Iran, India and Turkmenistan. They agree to encourage the businessmen and traders of the two countries to better utilise the said corridors.

The sides agree to actively promote scientific and technological cooperation, including among others, joint research projects, short and long term training courses and exchange of related information on a regular basis.

The sides emphasised the important role played by cultural interaction in promoting bilateral relation and establishing peace and stability among nations, agree to take necessary steps by the concerned bodies of the two countries in expanding cultural and artistic cooperation in all fields. The sides agreed to facilitate tourism between the two countries.

The sides reaffirm their commitment to the strengthening and deepening of consultations and to enhancing their coordination on bilateral regional and multilateral issues of common concern. In this regard they will pursue and continue regular structured and comprehensive mutual consultations. They note the useful contribution of the Joint Commission as well as the Joint Business Council and resolve to further enhance trade and economic links, including through facilitation of visits and exchanges.

The sides welcome the role played by interaction between the Islamic Consultative Assembly and the Indian Parliament as also people to people exchanges in promoting mutual understanding and dialogue and resolve to enhance it further.

Signed on April 10, 2001 at Tehran in two originals, each in Hindi, Persian and English languages.

Source: http://pib.nic.in/archieve/pmvisit/pm_visit_iran/pm_iran_rel4.html

Annexure-VII

**Text of India-Iran Treaty of Friendship, issues in
Tehran on 15 March 1950**

The President of India and his Imperial Majesty the Shahanshah of Iran recognizing the ancient ties which have existed between the two countries for centuries and their mutual need for co-operation in strengthening and developing these ties and urged by their mutual desire to establish peace between the two countries with a view to the common benefit of their people and the development of their respective countries, wish to enter into a treaty of friendship with each other and to this end have appointed as their plenipotentiaries the following persons, viz:

THE PRESIDENT OF INDIA: His Excellency Mr Syed Ali Zaheer, Ambassador Extraordinary and Plenipotentiary.

HIS IMPERIAL MAJESTY THE SHAHANSHAH OF IRAN: His Excellency Dr Ali Gholi Ardalan, Acting Minister for Foreign Affairs, who, having examined each other's credentials and found them good and in due form, have agreed as follows:

Article I

There shall be perpetual peace and friendship between the Governments of India and Iran and the said Governments shall promote and strengthen such peace and friendship between their respective nationals.

Article II

The High Contracting Parties agree to appoint diplomatic representatives at the capitals of the two countries, and consular representatives as may be necessary and at such places as may be agreed upon. Each party shall grant to such representatives of the

other party such privileges and immunities as are accorded under International Law, so however that neither party shall deny to any diplomatic or consular representative of the other party any special privileges and immunities which it grants to the diplomatic and consular representatives of a similar status of any other State.

Article III

The High Contracting Parties agree to conduct their commercial, customs, navigation and cultural relations as well as matters relating:

- a. extradition
- b. judicial assistance between the two countries, and
- c. the conditions of residence and stay of the nationals of one party in the territory of the other,

in accordance with special agreement between the parties.

Article IV

The High Contracting Parties agree to settle all differences of any kind between them through ordinary diplomatic channels by arbitration and by such other peaceful means, as they deem most suitable.

Article V

1. This treaty shall be ratified by the legislative body of each party and the exchange of the instruments of ratification shall take place in Tehran as soon as possible.
2. This Treaty shall take effect fifteen days after the exchange of the instruments of ratification has taken place.

In faith whereof the said plenipotentiaries have signed the present Treaty in the English and Persian language, both texts being equally authentic, and have affixed thereto their seals.

Done in duplicate in Tehran on the fifteenth day of March, 1950.

(The Treaty was ratified on 1 December 1951 and came into force from 6 December 1951).

Source: I.P.Khosla ed. India and the Gulf, Konark Publishers PVT LTD, New Delhi, 2009, pp.247-249

Annexure-VIII

Visit Between India and Iran

VVIP Visits

From India

	Visits	Date
1.	P. V. Narasimha Rao, Prime Minister	September 1993
2.	Atal Behari Vajpayee, Prime Minsiter	April 2001

From Iran

	Visits	Date
1.	Akbar Hashemi Rafsanjani, President	April 1995
2.	Mohammad Khatami, President	January 2003
3.	Mahmoud Ahmadinejad	29 April 2008

Annexure-IX

High Level Visits During 2005-08

From India

	Visits	Date
1.	P R Dasmunshi, Minister of Water Resources	February 26-27,2005
2.	Rajiv Sikri, Secretary (East), Ministry of External Affairs	April 30- May 2,2005
3.	Mani Shankar Aiyar, Minister of Petroleum, Natural Gas and Panchayati Raj	June 10-14, 2005
4.	K Natwar Singh, Minister of External Affairs	September 3-5, 2005
5.	E Ahamad, Minister of State for External Affairs	February 20-22, 2007
6.	Saifuddin Soz, Minister for Water Resources	May 12- 14 , 2006
7.	Pranab Mukherjee, Minister of External Affairs	February 6-7, 2007
8.	E Ahamad, Minister of State for External Affairs	March 6-8, 2007
9.	Murli Deora, Minister for Petroleum and Natural Gas	April 25-26, 2007
10.	E Ahamad, Minister of State for External Affairs	September 3-4, 2007
11.	T C A Raghavan, Joint Secretary (PAI)	November 11-13, 2007
12.	Prof. Saifuddin Soz, Minister for Water Resources	November 23-25 , 2007

13.	Shivshankar Menon, Foreign Secretary	December 16-17, 2007
14.	Kumari Selja, MOS for Housing & Urban Poverty Alleviation	February 2-5, 2008
15.	R Swaminathan, Joint Secretary (CPV)	February 18-20, 2008
16.	K C Jena, Chairman, Railway Board	April 11-15, 2008
17.	E Ahamad, Minister of State for External Affairs	May 4-5, 2008
18.	Kumari Selja, MOS for Housing & Urban Poverty Alleviation	May 1-14, 2008
19.	T C A Raghavan, Joint Secretary (PAI)	May 10-12, 2008
20.	P M Meena, Joint Secretary (Consular)	June 28-30, 2008
21.	Pranab Mukherjee, Minister of External Affairs	July 28-30, 2008
22.	Pranab Mukherjee, Minister of External Affairs	November 2, 2008

From Iran

	Visits	Date
1.	Bijan Namdar Zangeneh, Oil Minister	January 6-7, 2005
2.	Kamla Kharrazi, Foreign Minister	February 21-22, 2005
3.	Gholam Ali Haddad Adel, Majlis Speaker	February 27-March 3, 2005
4.	Ali Larijani, Secretary Supreme National Security Council	August 30-31, 2005
5.	Mehdi Safari, Deputy Foreign Minister for Asia, Oceania and CIS Countries	February 23-24, 2006

6.	Esfandiyar Rahim Moshae, Vice President and President of Iran's Cultural Heritage and Tourism Organisation	March 25-29, 2006
7.	Mehdi Safari, Deputy Foreign Minister for Asia, Oceania and CIS Countries	August 3-4 , 2006
8.	Manouchehr Mottaki, Foreign Minister	November 16-17, 2006
9.	Mohammad Abbasi, Minister for Cooperatives	January 23 -23, 2007
10.	Parviz Fattah, Energy Minister	February 25-27, 2007
11.	Mehdi Safari, Deputy Foreign Minister for Asia, Oceania and CIS Countries	September 5-7, 2007
12.	Mostafa Pour Mohammadi, Minister of Interior	November 7-8 , 2007
13.	Ayatollah Ahmad Jannati, Secretary, Guardian Council	November 24- December 01, 2007
14.	Davoud Danesh Jafari, Minister of Economic Affairs	January 14-19, 2008
15.	Sayyed Mohammad Hosseni, MFA Spokesman	February 9-17, 2008
16.	Esfandiar Rahim Mashaie, Vice President of Culture	April 29- May 4, 2008
17.	Dr. Mohammad Ali Ghanezadeh, Director General, West Asia Division, Ministry of Foreign Affairs	May 4-5, 2009

Annexure-X

**Interactions between the two National Security
Councils - NSA**

	Date	Name	Place
1.	June 24-27, 2002	Dr. Hassan Rowhani	Delhi
2.	April 25-27, 2003	Brajesh Mishra	Tehran
3.	February 25 -27, 2004	Dr. Hassan Rowhani	Delhi
4.	October 17- 19, 2004	J.N Dixit	Tehran
5.	August 30 -31, 2005	Dr. Ali Larijani	Delhi
6.	June 30 - July 2, 2008	M K Narayanan	Tehran
7.	March 28, 2009	Dr. Saeed Jalili	Delhi

Annexure-XI

Strategic Dialogue/ Foreign Office Consultations

Date	Name	Place
1. October 15-16, 2001	Mohsen Aminzadeh, DFM	Delhi
2. October 19 -21, 2002	Kanwal Sibal, FS	Tehran
3. July 21, 2003	Mohsen Aminzadeh, DFM	Delhi
4. May 1, 2005	Rajiv Sikri, Secretary (East)	Tehran
5. December 16- 17, 2007	Sivshankar Menon, FS	Tehran
6. December 17-18, 2008	Mr.Mohammad Mehdi Akhoundzadeh, Dy FM for Asia and Oceania.	Delhi

Annexure-XII

06/07/2009

Department of Commerce
Country - wise

Values in Rs. Lacs
Country: IRAN

S.N. \ Year	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
1. EXPORT	421,884.89	553,282.72	526,123.79	656,482.06	784,482.83
2. %Growth		31.15	-4.91	24.78	19.50
3. India's Total Export	29,336,673.98	37,533,953.56	45,641,786.98	57,177,926.53	65,586,352.04
4. %Growth		27.94	21.60	25.28	14.71
5. %Share	1.44	1.47	1.15	1.15	1.20
6. IMPORT	122,609.86	184,313.69	311,004.88	3,451,547.48	4,394,593.51
7. %Growth		50.33	68.74	1,009.80	27.32
8. India's Total Import	35,910,765.77	50,106,455.82	66,040,889.34	84,050,633.03	101,231,170.10
9. %Growth		39.53	31.80	27.27	20.44

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10.	%Share	0.34	0.37	0.47	4.11	4.34
11.	TOTAL TRADE	544,494.75	737,596.42	837,128.66	4,108,029.54	5,179,076.34
12.	%Growth		35.46	13.49	390.73	26.07
13.	India's Total Trade	65,247,439.75	87,640,409.37	111,682,676.33	141,228,559.56	166,817,522.13
14.	%Growth		34.32	27.43	26.46	18.12
15.	%Share	0.83	0.84	0.75	2.91	3.10
16.	TRADE BALANCE	299,275.03	368,969.03	215,118.91		
17.	India's Trade Balance	-6,574,091.80	-12,572,502.26	-20,399,102.36	-26,872,706.50	-35,644,818.06

Note: The country's total imports since 2000-2001 does not include import of Petroleum Products (27100093) and Crude Oil (27090000)
DOC-NIC

Source: Ministry of Commerce

