



Centre for Air Power Studies (CAPS)

Forum for National Security Studies (FNSS)

55/16

DECODING PM NARENDRA MODI'S FORTHCOMING VISIT TO IRAN: OPPORTUNITIES FOR INDIA

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India has vital strategic interest in Iran, from sourcing its hydrocarbon requirements through its energy cooperation to finalising the connectivity issues in order to transport the resources from Iran. Amongst others, these two are the main points on the agenda for PM Narendra Modi's upcoming visit to Iran later in May this year. This will be the third visit from the Indian leadership to this Persian Gulf country this year, after the respective visits of Cabinet Minister Dharmendra Pradhan and Minister of External Affairs, Ms. Sushma Swaraj earlier this year. The visits in quick succession by the Indian leadership hint that India is keen on elevating its relations with Iran to the pre-sanctions level. Thus, PM Modi's visit is important for India from the point of view of achieving energy sufficiency and connectivity through its infrastructure investments in Iran.

First agenda for PM Modi's visit is to gain connectivity projects with Iran that will give

India access to Afghanistan, Central Asia, Russia and beyond.¹ After visits from Indian ministers, Dharmendra Pradhan and Sushma Swaraj, it seems PM Modi's visit will be to finalise the Chabahar Port Agreement and signing of various agreements relating to oil and gas transfer from Iran to India along with payment of pending oil dues. The discussion on the development of the Chabahar Port has been going on for quite some time between India, Iran and Afghanistan but the talks picked up pace after the P5+1's nuclear agreement with Iran. The Chabahar port allows India, the world's fourth largest energy consumer, to access Iran's crude oil reserves of over 150 billion barrels and 1,187 trillion cubic feet of gas reserves. It also allows India to access energy resources in Central Asia with Kazakhstan and Turkmenistan possessing 30 billion barrels of oil and 265 trillion cubic feet gas reserves, respectively.² Kazakhstan holds 679,300 tons of uranium and more than 37,000 million short tons of recoverable

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coal reserves. Currently, India lags far behind the major regional players such as Russia, China and Turkey in the Central Asian region in gaining from the natural resources of the region.

The deal, if accomplished, would be a landmark in this regard. Chabahar port will be a strategic port for the three countries i.e., India, Afghanistan and Iran and will be a gateway to Central Asia, Russia and beyond, avoiding the transit passage through Pakistan.³ The opportunity to develop the Chabahar Port in Iran will open up the prospects for India to increase its footprints in the region. China had been investing heavily in the Gwadar Port in Balochistan in the race to boost its economic interests in the region.⁴ The port's location will also help India to neutralise China's presence in the region.

Secondly, in a move to strengthen its relations with Iran, New Delhi has conveyed Tehran that it was ready to clear nearly \$6.5 billion of its dues for the oil import from Iran at the earliest, once the clarification about the payment channel is received by India.⁵ Post sanctions Iran had terminated a three-year-old system with India in which it got paid for half of its oil dues in rupees. At present, Iran has been insisting on being paid in Euros for the oil it sells to Indian refiners. It has also scrapped the free delivery of crude oil to Indian refiners. Indian government officials said that though western sanctions against Iran were lifted, problems

persist in banking channels due to which regular transactions were not possible yet.⁶ Further, since the lifting of sanctions, India has been eyeing deeper energy ties with Iran in the oil & gas and fertiliser & petrochemical sector. At the same time, India is also striving hard for acquiring rights to develop the Farzad B gas field in the Persian Gulf region. Farzad B gas field in Iran has been discovered by the ONGC Videsh Limited (OVL)—an overseas branch of ONGC—for which the deal was not signed when Indian Minister for Petroleum and Natural Gas had visited Iran earlier in April this year. Iranian Majlis is yet to approve of the new Iran Petroleum Contract (IPC) under which the Farzad B field is yet to be given the consortium.⁷ There are significant indicators that PM Modi's visit is to finalise and sign the deal related to the ownership rights of this oil field. This visit can have major geopolitical implications in the West Asian region. If everything goes according to the plan, we will witness the creation of new trade routes stretching from the northern extents of Central Asia down to Chabahar, in southern Iran.

(Disclaimer: The views and opinions expressed in this article are those of the author and do not necessarily reflect the position of the Centre for Air Power Studies [CAPS])

Notes

¹DNA Web Team, "PM Modi to Eye New Deals and More on Iran, Qatar Visit", April 23, 2016, <http://www.dnaindia.com/money/report-pm-modi-to-aim-at-new-energy-deals-on-his-visit-to-iran-and-qatar-2205264>. Accessed on May 4, 2016.



² Rohullah Osmani, "Chabahar Port: A Win for South Asia", *Foreign Policy*, February 5, 2016, <http://foreignpolicy.com/2016/02/05/chabahar-port-a-win-for-south-asia/>. Accessed on May 5, 2016.

³Ibid.

⁴ "India approves \$150 billion Chabahar Port Plan in Iran", *The Express Tribune*, February 25, 2016, <http://tribune.com.pk/story/1054246/india-approves-150-million-chabahar-port-plan-in-iran/>. Accessed on May 5, 2016.

⁵PTI, "India Ready to Clear \$6.5 billion of Iran's Oil Dues", *The Economic Times*, May 1, 2016, <http://economictimes.indiatimes.com/news/economy/foreign-trade/india-ready-to-clear-6-5-billion-of-irans-oil-dues/articleshow/52063639.cms>. Accessed on May 5, 2016; "India ready to clear USD 6.5 billion of Iran's oil dues", *The Hindu*, May 1, 2016, <http://www.thehindu.com/news/national/india-ready-to-clear-usd-65-billion-of-irans-oil-dues/article8544005.ece>. Accessed on May 5, 2016.

⁶No. 2, *The Hindu*.

⁷PTI, "India Ready to Clear \$6.5 billion of Iran's Oil Dues", *The Economic Times*, May 1, 2016, <http://economictimes.indiatimes.com/news/economy/foreign-trade/india-ready-to-clear-6-5-billion-of-irans-oil-dues/articleshow/52063639.cms>. Accessed on May 5, 2016