

India's Relations with Iran: Much Ado about Nothing

In the last few years, India's policy toward the Middle East has often been viewed through the prism of Indian–Iranian relations. The international community, and the West in particular, has been obsessed with New Delhi's ties to Tehran, which are actually largely underdeveloped, while missing India's much more substantive simultaneous engagement with Arab Gulf states and Israel. India's relationship with the Middle East as a region is dramatically different than a generation ago. From 1947–1986, as at least one academic has argued, India was too ideological toward the region, paying insufficient attention to Indian national interests, particularly in its subdued ties with Iran, Saudi Arabia, and Israel.¹ Today, however, India is developing its new Middle Eastern strategy around these three states, with New Delhi recently taking special care to nurture all these relationships and pursue its substantial regional interests.

A Weak Litmus Test

Ever since India and the United States began to transform their ties by changing the global nuclear order to accommodate India with the 2005 framework for the Indo–U.S. civilian nuclear agreement, Iran has become a litmus test that India has occasionally been asked to pass to satisfy U.S. policymakers. Nascent Indian–Iranian ties have been categorized by some analysts as an “axis,” a “strategic partnership,” or even an “alliance,” which some in the U.S. strategic community have suggested could have a potentially damaging impact on U.S. interests in Southwest Asia and the Middle East.²

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The Washington Quarterly • 34:1 pp. 61–74

DOI: 10.1080/0163660X.2011.534964

Given the U.S. obsession with Iran during the last few years, India has been asked to prove its loyalty to the United States by lining up behind Washington at the International Atomic Energy Agency (IAEA) on the question of Iran's nuclear program. The Bush administration stated clearly that if India voted against the February 2006 U.S. motion on Iran at the IAEA, Congress would likely not approve the Indo-U.S. nuclear agreement. Then-Representative Tom Lantos (D-CA) threatened that India "will pay a heavy price for a disregard of U.S. concerns vis-à-vis Iran."³ India finally voted in February 2006 with 26 other nations to refer Iran to the UN Security Council. This was the second time India voted with the United States on the issue of the Iranian nuclear program. Nevertheless, many members of Congress continued to demand that Washington make the nuclear deal conditional on New Delhi's ending all military relations with Tehran. They cited a visit by Iranian naval vessels in June 2006 to the Indian port of Kochi for five days of joint exercises, which included training for Iranian cadets, as an example of activities that needed to cease.⁴

The Bush administration insisted that it would oppose any amendment to the nuclear pact which would condition U.S. cooperation with India on its policies toward Iran. Nevertheless, the U.S.-India Peaceful Atomic Energy Cooperation Act (also known as the Hyde Act), signed by President Bush in December 2006, contained a "Statement of Policy" which included riders designed to ensure India's support for U.S. policies regarding the Iranian nuclear issue. In particular, India was "to dissuade, isolate, and if necessary, sanction and contain Iran for its efforts to acquire weapons of mass destruction, including a nuclear weapons capability and the capability to enrich uranium or reprocess nuclear fuel and the means to deliver weapons of mass destruction."⁵ Although this section of the Hyde Act generated considerable domestic opposition in India, President Bush, while signing the Act, emphasized that his administration would interpret this provision as merely "advisory."⁶ This was consistent with the Bush administration's willingness to express concerns on occasion about Indian-Iranian ties, but refusal to make them central to the negotiations over the nuclear pact.

At the same time, the Indian Left has also developed a parallel obsession, making Iran an issue emblematic of India's "strategic autonomy" and using the bogey of toeing the U.S. line on Iran to coerce New Delhi into following an ideological, independent, anti-U.S. foreign policy. A close examination of the Indian-Iranian relationship, however, reveals an underdeveloped relationship despite all the spin attached to it.

Indian-Iranian Ties: Nothing Strategic About Them

India would like to increase its presence in the Iranian energy sector because of its rapidly rising energy needs, and is rightfully feeling restless about its own

marginalization in Iran. Not only has Pakistan signed a pipeline deal with Tehran, but China also is starting to make its presence felt. China is now Iran's largest trading partner and is undertaking massive investments in the country, rapidly occupying the space vacated by Western firms. Where Beijing's economic engagement with Iran is growing, India's presence is shrinking, as firms such as Reliance Industries have, partially under Western pressure, withdrawn from Iran, and others have shelved their plans to make investments.⁷

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There is little evidence so far that Iran would be a reliable partner in India's search for energy security. A number of important projects with Indian businesses and the Indian government have either been rejected by Iran or have yet to be finalized due to last minute changes in the terms and conditions by Tehran. To date, Iran accounts for only about 8 percent of Indian oil imports. Moreover, both of the major energy deals recently signed with great fanfare, and raising concerns in the West, are now in limbo. India's 25-year, \$22 billion agreement with Iran for the export of liquefied natural gas (LNG) has not produced anything since it was signed in 2005, as it requires India to build an LNG plant in Iran. The plant would need American components, which might violate the U.S. Iran–Libya Sanctions Act (ILSA). The other project—involving the construction of a 1,700-mile, \$7 billion pipeline to carry natural gas from Iran to India via Pakistan—is also stuck. The current Indian government initially viewed the pipeline project as a confidence-building measure between India and Pakistan, but when pressure started mounting, Indian Prime Minister Manmohan Singh went so far in 2005 as to say that he did not know if any international consortium of bankers would underwrite the project, given uncertainties about Iran. The Indian strategic community has never been in favor of the pipeline proposal anyway, as in their opinion, it gives Pakistan too much leverage over India's energy security.

Both these projects have also made the unreliability of Iran as a trade partner clear to India. The national oil companies of Iran and India disagree about the legal interpretation of the contract for the export of LNG to India. This deal was signed in 2005 before Mahmoud Ahmadinejad was elected president of Iran, and was tied to a relatively low market price for crude oil. India considers the deal final and binding, while Iran has argued that it is not binding because it has not been ratified. Amid the growing global isolation of Iran, sections of the Indian government have suggested that India's participation in the gas pipeline deal might not be strategically advantageous to India, given the very low quantity (30 million standard cubic meters per day) of gas involved. Moreover, it appears that the Iranian gas is not the lowest-priced option for India today. New Delhi

has made it clear that although it remains interested in the pipeline project, it would pay for the gas only after it is received at the Pakistan–India border, it would not pay penalty in case of a delay, and it is opposed to Iran’s demand to revise the deal’s gas prices every three years.⁸ India’s interests in the relationship with Iran, however, do not appear to be strictly commercial. After Pakistan and Iran signed their pipeline deal in 2009, for example, India indicated that it was willing to resume negotiations regarding independently importing natural gas from Iran via sea pipeline, allowing India to get around Pakistan.

The nuclear issue is equally complex for Indian–Iranian relations. New Delhi and Tehran have long held significantly different perceptions of the global nuclear order. Iran was not supportive of the Indian nuclear tests in 1998 and backed the UN Security Council Resolution asking India and Pakistan to cap their nuclear capabilities by signing the Non-Proliferation Treaty (NPT) and the Comprehensive Nuclear-Test-Ban Treaty (CTBT). Iran repeatedly has called for universal acceptance of the NPT, much to India’s chagrin. Although Iran has claimed that this was directed at Israel, the implications of such a move are far-reaching for India. With the conclusion of the U.S.–India nuclear deal, Iran warned that the pact had endangered the NPT and would trigger new “crises” for the international community.⁹

Iran’s position on several other issues crucial to India has run counter to Indian interests. Tehran has been critical of how the Indian government handled protests in Kashmir earlier this year, and the Indian government was forced to issue a demarche, protesting against Iranian interference in Indian domestic issues.¹⁰ India’s position on the Iranian nuclear question is relatively straightforward. Although India believes that Iran has the right to pursue civilian nuclear energy, it has insisted that Iran should clarify the doubts raised by the IAEA regarding Iran’s compliance with the NPT. India has long maintained that it does not see further nuclear proliferation as being in its interests. This position has as much to do with India’s desire to project itself as a responsible nuclear state as with the very real danger that further proliferation in its extended neighborhood could endanger its security. India has continued to affirm its commitment to enforce all sanctions against Iran as mandated since 2006 by the UN Security Council. However, much like Beijing and Moscow, New Delhi has argued that such sanctions should not hurt the Iranian populace, and has expressed its disapproval of sanctions by individual countries that restrict investments by third countries in Iran’s energy sector.¹¹

Much has been written about growing defense ties between India and Iran, but India has a more substantive defense relationship with the Arab world. Iran has joined the Indian navy’s annual initiative, the Indian Ocean Naval Symposium, which provides a forum for the navies of the Indian Ocean littoral states to engage each other, and plans are afoot for greater maritime

cooperation. This defense relationship, however, remains not only sporadic and tentative, but also circumscribed by India's growing defense linkages with Israel.

The crucial regional issue where India and Iran need each other is the evolving security situation in Afghanistan. U.S. Afghanistan policy has caused consternation in Indian policymaking circles, with a fundamental disconnect emerging between U.S. and Indian interests in Afghanistan and Pakistan. Although actively discouraging India from assuming a higher profile in Afghanistan, for fear of offending Pakistan, the United States has failed to persuade Pakistan into taking Indian concerns regarding terrorism from Pakistani soil more seriously. So long as Afghan territory is not being used to launch attacks onto U.S. soil, the United States may have no vital interest in determining who actually governs in Afghanistan, but it is important to India.

If Washington were to abandon the goals of establishing a functioning Afghan state and seeing a moderate Pakistan emerge, that would put greater pressure on Indian security. To preserve its interests in case such a strategic milieu evolves, India has reason to coordinate more closely with states such as Russia and Iran as a contingency. India in recent months has reached out to Iran about Afghanistan, and the two sides are now involved in "structured and regular consultations" on the issue.¹² Both New Delhi and Tehran are unlikely to accept a political regime in Kabul which serves as a springboard to project Pakistan's military interests. But India will benefit from working with Iran only if Iran is also genuinely interested in stabilizing Afghanistan. If Tehran's interests are primarily driven by its desire to see the United States withdraw from Afghanistan, then New Delhi will be forced to rethink its approach.

The underlying reality is that India has far more significant interests to preserve in the Arab Gulf, and as tensions rise between the Sunni Arab regimes and Iran, India's larger stakes in the Gulf might lessen the possibility of healthy Indian-Iranian ties. At the same time, New Delhi's outreach to Tehran will remain circumscribed by the internal power struggle within Iran, growing tensions between Iran and its Arab neighbors, and Iran's continued defiance of the global nuclear order.

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India's Evolving Priorities throughout the Middle East

India's engagements with the Arab states in the Middle East have gained momentum in the last few years, even as Iran continued to hog the limelight. India wants to secure energy supplies and consolidate economic and trade

relations with the Gulf States, while these states (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE, or the members of the Gulf Cooperation Council) have adopted a “Look East” policy which has allowed them to carve out a much more substantive relationship with India than in the past.

New Delhi’s Outreach to the Saudis

In January 2006, Saudi King Abdullah bin Abdul-Aziz al-Saud visited India (along with China) on his first trip outside the Middle East since taking the throne in August 2005. Some commentators, noting the trip’s significance, labeled it as “a strategic shift” in Saudi foreign policy and reflective of “a new era” for the kingdom.¹³ Prime Minister Singh reciprocated by visiting Riyadh in 2010, 28 years since the last Indian premier visited the Saudi kingdom, and promptly elevated the Indo–Saudi relationship to a “strategic partnership.” With his visit to Saudi Arabia, the prime minister reemphasized that, when it comes to the Gulf, Iran will not be the focus of Indian foreign policy.

Although India is not a Muslim-majority country, it still hosts the third-largest Muslim population in the world, a constituency which remains interested in Saudi Arabia given the holy shrines at Mecca and Medina. There is already significant cultural interchange between the two countries, with approximately 1.5 million Indian workers constituting the largest expatriate community in the Saudi kingdom.¹⁴

Riyadh is the chief supplier of oil to India’s booming economy, and India is now the fourth largest recipient of Saudi oil after China, the United States, and Japan. India’s crude oil imports from the Saudi kingdom will likely double in the next 20 years.¹⁵ During his visit to India, the Saudi king emphasized his country’s commitment to uninterrupted supplies to a friendly country such as India regardless of global price trends. As with Saudi Arabia and China, energy infrastructure investment is a major component in developing Saudi–Indian relations. India’s Reliance has invested in a refinery and a petrochemicals project in Saudi Arabia, and India’s state-owned energy firm, Oil and Energy Gas Corporation, is engaging Saudi Arabia as its equity partner for a refinery project in the Indian state of Andhra Pradesh.

King Abdullah and Prime Minister Singh signed an Indo–Saudi “Delhi Declaration” during the Saudi king’s 2006 visit which calls for a wide-ranging partnership, including putting energy and economic cooperation on overdrive and cooperating against terrorism.¹⁶ According to some reports, the king waived off Saudi bureaucratic concerns about unwanted precedents or concerns the declaration might create with India’s neighbors, especially Pakistan, by calling India a “special case.”¹⁷ A Saudi–Indian Joint Business Council is providing an institutional framework to expand bilateral economic ties. Saudi authorities hope that such a channel can tap Indian expertise and help Saudi Arabia to

diversify its economy in fields ranging from information technology and biotechnology to education and small-business development.

New Delhi is also cultivating Riyadh for strategic reasons. To Indian strategists, any ally that can act as a counterweight to Pakistan in the Islamic world is significant. Initially, New Delhi sought to cultivate Tehran, but such efforts stumbled in recent years as the Islamic Republic has adopted an increasingly aggressive anti-Western posture.¹⁸ India hopes Saudi Arabia might fill that gap. Indeed, Iranian nuclear ambitions have helped to draw New Delhi and Riyadh closer together.

The Saudi government has its own reasons for cultivating Indian ties. Saudi Arabia and Iran have long competed for power and influence in the Gulf. The 1979 Islamic Revolution in Iran added a new edge to the rivalry, as Iranian ayatollahs increasingly sought to challenge Saudi

officials on religious matters such as the rules and regulations surrounding the *hajj*, or pilgrimage to Mecca. The fact that about 40 percent of Saudi Arabia's oil-producing eastern province is Shi'ite, and resents Wahhabi rule, worries Riyadh.¹⁹ The anxiety is mutual; in 1994, the Iranian intelligence ministry designated Salafi terrorism as the primary threat to Iranian national security.²⁰

During his visit to Riyadh, Prime Minister Singh joined King Abdullah in asking Tehran "to remove regional and international doubts about its nuclear weapons program."²¹ As the regional balance of power between Arabia and Persia threatens to unravel in Iran's favor, Singh's visit underlined India's desire to see the extant balance of power in the region stabilize. Given India's growing stakes in the Gulf, it is not surprising that this should be the case.

The Saudi king's 2006 visit to India was also a signal to the broader Gulf Cooperation Council (GCC) community to build a stronger partnership with India. In an attempt to have a structured exchange on bilateral and collective security issues, the Indian-GCC dialogue previously held annually on the margins of the UN General Assembly is now being held as a dedicated forum in a GCC country or in New Delhi.

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India's Expanding Presence in the Arab World

The economic dimension of India's Gulf policy has become more pronounced in recent years. As a group, the GCC is India's second-largest trading partner, the largest single origin of imports into India, and the second largest destination for exports from India. Bilateral trade between India and the GCC is expected to rise to more than \$130 billion by 2013–2014 from a low of \$5.6 billion in

2001.²² The UAE by itself is among India's five largest trading partners as well as India's top trading partner in the entire Middle East, accounting for 75 percent of India's exports to GCC countries and 6 percent of India's global exports.²³ The global financial meltdown and the specter of recession in the United States and Europe are further prompting India to turn to Gulf States, which are sitting on huge resources and looking for investment opportunities.

The GCC countries remain a major destination for Indian investment, even as India is making a concerted attempt to encourage GCC investment in India. India hopes that major GCC states such as Saudi Arabia, the UAE, and Oman would participate in India's planned infrastructure expansion. With a rising demand for infrastructure development, India is looking for large investments from the Gulf, which is flush with funds due to the recent surge in oil prices. The Gulf States meanwhile are interested in human resources from India in order to develop sectors as varied as information technology, construction, transportation, and services.

Energy is clearly the driving force in Gulf-Indian relations. The GCC countries supply 45 percent of India's petroleum; the Saudis are responsible for a quarter of those supplies, and Kuwait, Oman, and the UAE are other major suppliers. Qatar remains India's exclusive supplier of natural gas, annually supplying five million tons of LNG to India. The Iranian government's decision to renege on some oil supply commitments, after India's vote against Iran at the IAEA, has also spurred New Delhi to diversify suppliers.

India's trade and energy security is inextricably linked to the security of the Straits of Hormuz and Bab el-Mandeb. With this in mind, the Indian Navy regularly visits Gulf ports and trains with states in the region. The Indian Navy has undertaken a series of naval exercises with a number of Gulf States in recent years, thereby lending its hand to Indian diplomacy in expanding India's reach in the region. As part of a 48-day tour of the Gulf region in 2008, the Indian Navy made port calls and conducted exercises with the navies of Kuwait, Oman, Bahrain, Saudi Arabia, Qatar, United Arab Emirates, and Djibouti. It also used this opportunity to engage with the navies of other major powers involved in the region such as the United States, the United Kingdom, and France. Indian naval warships have also been deployed in the Gulf of Aden to carry out anti-piracy patrols on the route usually followed by Indian commercial vessels between Salalah (Oman) and Aden (Yemen). The Gulf of Aden is a strategic choke point in the Indian Ocean and provides access to the Suez Canal, through which a sizeable portion of India's trade flows.

India has cultivated close security ties with major GCC countries such as the UAE, Qatar, Oman, and Bahrain. The defense cooperation agreements that India has with these states are similar to the ones it has with the United States, the United Kingdom, France, Germany, Australia, and Japan. India and the

UAE have decided to streamline their defense relationship, which has been largely dominated by naval ship visits and training exchange programs. Now, the focus is shifting to possibly joint development and manufacture of sophisticated military hardware. UAE authorities have captured and swiftly extradited to India a number of high-profile terror suspects. Though India and the UAE do have an extradition treaty in place, several deportations have taken place without invoking the treaty, showing a high level of mutual understanding between the two states.²⁴ Defense cooperation between India and Qatar is also extensive and involves training military personnel, joint exercises, and service-to-service information sharing. Consultations are under way between India and Oman for the sultanate possibly to provide berthing facilities for Indian warships deployed in the region.

Indians are the largest expatriate community in the GCC states, numbering around 4–5 million. Indian expatriate labor constitutes around 30 percent of the total population of the UAE, and Indians have a significant presence in Bahrain, Oman, and Qatar. India receives remittances worth around \$6 billion annually from its Gulf expatriates. These remittances have contributed significantly to India's economic resurgence, even as there have been growing concerns in recent years about the living and working conditions in the host countries. India is pursuing manpower and labor agreements with Gulf States to help Indian workers in the region.

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The security consequences of a rising Iran are as significant for other Arab Gulf states as they are for Saudi Arabia. Tehran's nuclear drive, its interference in neighboring Iraq, and President Ahmadinejad's aggressive rhetoric are raising anxieties in Arab states about a resurgent Iran, forcing them to reorient their diplomacy accordingly. Reaching out to emerging powers such as India is one way to preserve the balance of power in the region.

India-Israel Ties: Out of the Closet

India's efforts to improve its relations in the region are not limited to Iran and the Gulf states. There has been a steady strengthening of its relationship with Israel ever since the two established full diplomatic relations in 1992, despite New Delhi's attempts to keep the flourishing bilateral relationship out of public view. In contrast to the back-channel security ties that existed before the normalization of bilateral relations, India is now more willing than ever to carve out a mutually beneficial bilateral relationship with Israel, including deepening

military ties and countering the threat terrorism poses to the two societies. Before 1992, India had made the normalization of relations with Israel contingent upon the resolution of the Palestinian issue. In 1992, India decided to delink the two, making it clear that it was not prepared to make an independent Palestinian state a precondition for improving its relations with Israel. This was in tune with the policy much of the world was already following.

There was some concern that the change of government in India in 2004, from the Hindu nationalist Bharatiya Janata Party (BJP)-led National Democratic Alliance to the Congress Party-led United Progressive Alliance (UPA), might be inimical to Indo-Israeli ties. But the UPA government has continued to strengthen India's relations with Israel. Fighting terrorism is a major issue and challenge for both countries; both are democratic, pluralistic states with large domestic Muslim minorities, and both face the scourge of Islamist terrorism, which is sponsored by each of their neighbors. These shared challenges have led to a better understanding of each other's concerns.²⁵

The terrorism that both India and Israel face comes not only from disaffected groups within their territories; it is also aided and abetted by neighboring states, mostly under non-democratic regimes increasingly capable of transferring weapons of mass destruction to terrorist organizations. States such as Pakistan, Iran, and Syria have long used terror as an instrument of their foreign policies. There are, therefore, distinct structural similarities in the kind of threat that India and Israel face from terrorism. It is also important to note that when the extremist *mullahs* call upon their followers to take up arms in support of an Islamic jihad, their foremost exhortations have always been the "liberation" of all of mandatory Palestine, Kashmir, and the annihilation of the United States.

The ballast for Indo-Israeli bilateral ties is provided by the defense cooperation between the two states, with India emerging as Israel's largest arms market, displacing Turkey. Israel's military sales to India in the last five years have topped \$5 billion.²⁶ Israel has adopted a pragmatic attitude with respect to weapon sales to India, contrary to other developed states which have looked at weapons sales to India from the perspective of the balance of power in South Asia. Israel was willing to continue and even step up its arms sales to India after other major states curbed their technological exports following India's May 1998 nuclear tests. Israel provided India much-needed imagery about Pakistani positions during the Kargil War in 1999, which was instrumental in turning the war around for India.²⁷

Though cooperation in defense and anti-terrorism have driven India and Israel closer, the two states are also making concerted attempts to diversify their relationship. The emergence of India and Israel as industrialized and technologically-advanced states makes their cooperation on a range of issues meaningful and mutually beneficial. India's trade with Israel has increased by a

factor of six in the last decade, with India becoming Israel's second-largest trading partner in Asia in non-military goods and services.

India's ties with Iran complicate its burgeoning relations with Israel, however. Although the U.S. overthrow of Saddam Hussein removed one of Israel's enemies, it also has created new opportunities for Iran to increase its influence in Israel's immediate neighborhood. Israel remains concerned about India's ties with Iran, especially about India sharing with Iran some of the military technology it receives from Israel.²⁸ Israel would like India to acknowledge the threat posed by a nuclear-armed Iran and wants India to help stabilize the volatile security situation in the Middle East. Although India and Israel need not make their bilateral relationship a function of each other's relationship with any third country, Iran's aggressive rhetoric toward Israel will circumscribe New Delhi's outreach to Tehran.

In essence, Indian interests in the Arab Gulf and Israel are significant and evolving, and India is carefully nurturing these ties. This is largely a consequence of the changing salience of the factors that have shaped India's Gulf policy.

India's Middle East Policy: Looking Beyond Tehran

The U.S. obsession with India's ties to Iran is just that: an obsession which must be understood in the context of India's changing priorities in the larger Middle East. As India rises in the global inter-state hierarchy, a range of factors are shaping its policy priorities toward the region. Domestic constraints imposed by the large Muslim community in India have traditionally been a significant factor. Although this remains a potent variable, there are signs that Indian foreign policy has had some recent success in overcoming this constraint.

The loosening of structural limitations imposed by the Cold War has given India greater flexibility in carving out its foreign policy in the Gulf. The most notable change has been India's attempts to enhance its ties with Israel, while doing the same with traditional antagonists such as Iran and Saudi Arabia.²⁹ India is relatively more open about its strengthening ties with Israel despite apprehensions in some domestic quarters that the Arab world will not look kindly on these developments. On the contrary, it seems that the Arab world has reacted cautiously so far and has deepened its engagement with India for fear of losing India wholly to Israel. Whereas Pakistan tended to dominate Indian foreign policy toward the Gulf, particularly during the Cold War years, it has become less salient in India's foreign policy calculus given India's desire to emerge as a major regional and global actor.

India's burgeoning demand for energy is another major factor increasingly shaping India's approach toward the Middle East, as well as its broader foreign policy priorities. India's greatest challenge is to ensure successful diversification

India's attempts to improve relations with Iran are a small piece of a much larger strategic puzzle.

of sources for oil procurement to minimize the possibility of a supply disruption. It is toward this end that India has devoted its recent diplomatic energies. Not surprisingly, the focal point of India's energy diplomacy has been the Middle East, which provides almost 65 percent of India's energy requirements.

China is becoming a major player in global politics and its influence in the Gulf is on the rise. Though India's relations with China have improved considerably in the last

few years, this relationship remains by and large competitive, if not in outright conflict. This is particularly true with the competition for global energy resources. Moreover, India's aspirations to emerge as a major global power may also lead it to counter China's growing influence around the globe. China's ties with major Gulf States are on an upswing, and this will be a major factor in how India shapes its regional policies in the long term.

Finally, the predominant player in the Gulf remains the United States, despite some of its recent setbacks. India's ties with the United States have dramatically expanded in the last few years, and this has already emerged as a significant factor shaping Indian foreign policy toward the Gulf. The most visible manifestation of this has been India's attempt to recalibrate its ties with Iran. The shadow of the United States will loom large over Indian foreign policy in the years to come, especially if the conflict between the United States and Iran intensifies. In light of its signing the civilian nuclear cooperation agreement with the United States, India is trying hard to project itself as a responsible nuclear power. It will be very reluctant to challenge U.S. nonproliferation priorities in the Gulf, which view the Iranian nuclear program as a major challenge. It is in India's interest that nuclear proliferation in its neighborhood be contained. Meanwhile, a deeper engagement with the Arab Gulf states will also blunt domestic criticism that Indian foreign policy has become too obsessed with the United States and Washington's foreign policy agenda.

The situation in Afghanistan, however, will continue to cast a spell over Indian-Iranian ties. If the United States does decide to leave Afghanistan with Pakistan retaining its pre-2001 leverage, New Delhi and Tehran will be drawn closer together to counteract Islamabad's influence in Kabul that has been largely detrimental to their interests in the past. Washington needs to understand the implications of its policies in the rapidly evolving strategic milieu in Afghanistan as well as Pakistan, and allay the concerns of other regional actors so that a stable Afghanistan may emerge in the coming years.

India is looking beyond its old approach as it seems to have reached a turning point in its relations with the Gulf States. The revival of trade and investment between the Gulf and India, featuring large movements of goods and capital, is founded on the search for energy sufficiency, a new security landscape, and very rapid economic growth. Though there has been no articulation of a broader Gulf or Middle East policy by India, New Delhi can no longer rely on its past approach to the region, which has become not only outdated but also thoroughly inadequate to meet the complex challenges of the future.

As a consequence, India is now focusing on pragmatic engagement with all sides and has tried to shed its Cold War-era covertly ideological approach toward the region. Most countries in the Gulf are also now seeking comprehensive partnerships with India based on a recognition and appreciation for India's role in shaping the emerging regional and global order. The challenge for the two sides now is to sustain the present momentum. For everyone else, the challenge is to recognize that New Delhi's halting attempts to improve its relations with Tehran are a small piece of a much larger strategic puzzle.

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