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Caught in the Middle – India's Iran Dilemma as US-Gulf Pressure Intensifies

BUSINESS STANDARD

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Caught in the Middle — India's Iran Dilemma as US-Gulf Pressure Intensifies

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THE EDITORIAL ARGUMENT

India's **strategic autonomy** — the defining pillar of its foreign policy since Nehru — is facing its most serious test not at the LAC or across the western border, but in the Persian Gulf. The escalating US-led pressure on Iran, tightening secondary sanctions, and the deepening **US-Gulf-Israel security convergence** following regional conflicts have boxed India into an increasingly uncomfortable corner. The cost of maintaining ties with Tehran is rising at the exact moment when those ties carry the most strategic value.

WHAT IS AT STAKE

- 1. Chabahar Port.** The **Shahid Beheshti Terminal at Chabahar** in Iran's Sistan-Balochistan province is the cornerstone of India's connectivity strategy to Afghanistan and Central Asia. The India Ports Global Limited (IPGL) has a **10-year management agreement** (signed May 2024) to operate the terminal. Chabahar is the only route through which India can reach **Afghanistan** and the **Central Asian Republics** without transiting Pakistani territory. US secondary sanctions have repeatedly disrupted financing, shipping insurance, and equipment supply for the port's development.
- 2. INSTC (International North-South Transport Corridor).** The INSTC connects **Mumbai** → **Chabahar** → **Bandar Abbas (Iran)** → **Caspian** → **Russia** → **Northern Europe** in approximately **25 days**, compared to 45+ days via the Suez Canal route. India, Iran, and Russia are the three anchors of this corridor. US sanctions that strand Iranian ports also strand the INSTC — a **multimodal connectivity project** with significant economic and strategic value for Indian exporters.
- 3. Energy security.** India imported significant quantities of Iranian crude oil until 2019, when US sanctions forced India to cut imports to near-zero. Iran has the **2nd largest natural gas reserves** and **4th largest proven oil reserves** in the world. Indian refineries (MRPL — Mangalore Refinery and Petrochemicals Ltd, CPCL) were calibrated for Iranian crude. The loss of this low-cost, geographically proximate supply source permanently raised India's energy import bill.

THE US-GULF-ISRAEL ARCHITECTURE

The **Abraham Accords** (2020) — normalisation agreements between Israel and UAE, Bahrain, Morocco, Sudan — created a new US-aligned security architecture in West Asia. The subsequent **I2U2** grouping (India, Israel, UAE, USA) represented an attempt to plug India into this architecture. India joined I2U2 but has calibrated participation carefully to avoid anti-Iran signalling.

The 2025-2026 escalation — involving US strikes on Iranian proxy forces, Israeli operations in Lebanon and Syria, and the further deepening of US-Gulf-Israel military coordination — has compressed India's room for manoeuvre. Both the **US** (India's biggest defence partner) and **Gulf monarchies** (India's top energy suppliers and remittance source for 9+ million Indian workers in the Gulf) are on one side; Iran is on the other.

THE STRATEGIC CASE FOR INDIA-IRAN ENGAGEMENT

Former Foreign Secretary **Shyam Saran** has argued in recent commentary that India is in danger of allowing Western pressure to sacrifice a **civilisational relationship** going back millennia for short-term alliance management. The argument has three dimensions:

- 1. Iran is India's western security perimeter.** A hostile or isolated Iran creates a vacuum that Pakistan, China, and jihadist forces can exploit on India's northwestern flank. India's links with Afghan civil society and the Central Asian republics depend on a functioning Iranian corridor.
- 2. Chabahar is irreplaceable.** There is no alternative route to Central Asia that does not depend on Pakistan or China. CPEC (China-Pakistan Economic Corridor) — which terminates at Gwadar, just 100 km from Chabahar — is the only other regional connectivity option, and its strategic logic is entirely hostile to Indian interests.
- 3. Iran has leverage over India's competitors.** A Iran that is fully integrated into China's **BRI (Belt and Road Initiative)** — which Iran formally joined in 2021, with a 25-year comprehensive cooperation agreement — and that has deepened military ties with Russia is a direct threat to India's strategic environment. India's engagement offers Iran an alternative to complete Sino-Russian dependency.

INDIA'S CURRENT POSITION

India has maintained a delicate balance:

- Continued Chabahar development under US-sanctioned exemptions
- Avoided public criticisms of US Iran policy
- Abstained on UNSC resolutions relating to Iran
- Maintained back-channel diplomatic contact with Tehran while reducing high-profile visits

This balance is becoming harder to maintain as US secondary sanctions tighten and pressure from American partners increases. The 2026 choice may be starker: India either invests diplomatically and economically in Chabahar’s full development — accepting some friction with Washington — or allows the relationship to atrophy, losing the connectivity asset entirely.

UPSC RELEVANCE

PAPER	ANGLE
GS2 — International Relations	India-Iran relations, Chabahar, INSTC, Abraham Accords, I2U2, US secondary sanctions
GS3 — Economy	Energy security, oil imports, INSTC trade routes, remittance corridor (Gulf)
GS2 — IR	India’s strategic autonomy, non-alignment, multi-alignment

Mains Keywords: Chabahar port, INSTC (International North-South Transport Corridor), India-Iran relations, US secondary sanctions, Abraham Accords, I2U2, strategic autonomy, multi-alignment, IPGL (India Ports Global Limited), BRI China-Iran agreement, Shyam Saran, Gwadar-Chabahar rivalry, MRPL, Central Asia connectivity

Prelims Facts Corner

ITEM	FACT
Chabahar Port	Sistan-Balochistan, Iran; managed by India Ports Global Limited (IPGL)
IPGL 10-year agreement	Signed May 2024; Shahid Beheshti Terminal
INSTC	International North-South Transport Corridor — Mumbai to Northern Europe via Iran, Caspian, Russia
INSTC time saving	~25 days vs. 45+ days via Suez Canal
Iran's gas reserves	2nd largest in world
Iran's oil reserves	4th largest in world
Abraham Accords	2020 — Israel + UAE, Bahrain, Morocco, Sudan normalisation
I2U2	India, Israel, UAE, USA — launched 2022
China-Iran agreement	25-year Comprehensive Cooperation Agreement signed 2021
India Gulf workers	9+ million Indian workers in Gulf states


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