



## Mains Practice Question

**Q.** Discuss the impact of rising US-Iran conflict on India and its international relations. (250 words)

14 Jan, 2020 GS Paper 2 International Relations

### Approach

- Discuss the reasons for recent Iran-US conflict and provide a foreground to the answer.
- Examine the impact of this conflict on India alongwith in general and specifically on its international relations vis-a-vis both the countries.
- Provide a suitable way forward and steps that India should take to insulate itself from the negative fallouts of such crisis.

### Introduction

With the United States withdrawal from Joint Comprehensive Plan of Action (**JCOPA**), US Iran relation has taken a downward spiral, getting further aggravated with shooting down of American **P8 plane** by Iran in its territory (June 2019) and recent assassination of Iranian **General Qassem Soleimani**. This escalating conflict has high potential to create multifarious impact on India and its international relations:

### Impact of rising US-Iran conflict on India

- **Shock in oil supplies:** India **imports 84%** of its oil requirements. Conflict in the Middle East is bound to create shocks in oil supplies.

However, with surplus in oil supply (as forecasted by IAEA), boom in US Shale production, India diversifying its source, reducing dependency on Iranian crude oil can help India to manage continued flow of oil comfortably.

- **Can further trigger inflation:** In India, **retail inflation** has already crossed 5%, and increase in fuel prices can further increase inflation by increasing the transportation costs.
- **Can widen Current Account Deficit (CAD):** With increasing oil price, it would lead to higher **outflow of US dollars**; and this higher outflow will lead to depreciation of rupee, thereby, further making import costlier, thus **widening CAD**.
- **Can lower India's GDP growth rate:** Any crisis in the Middle East region directly impacts India's **exports** to this region (as predicted by Federation of Indian Export Organization). In addition to this, due to slowdown in the Middle East Region, **remittances** received from this region will also be impacted. Moreover, India's economy being '**coupled economy**'; slowdown in global growth rate due to conflict can potentially lower India's GDP growth rate as well.
- **Safety of Indian Diaspora:** Around **11 million Indian diaspora** is present in the Middle East region. Safety of Indian diaspora will be a major concern for India if this conflict escalates further.
- **Connectivity challenges:** Iran's **Chabahar port** is of huge significance for India because of its strategic location, accessibility to Afghanistan and Central Asia. The shadow of US-Iran conflicts jeopardizes India's strategic connectivity interests.
- **Can spread radicalization among Shia population:** India has the largest number of the world's Shia population and this conflict can perhaps radicalize some of them.
- **Affect India's internal security:** Instability in Iran, in addition to the US military withdrawal from

Afghanistan, can **derail Afghan peace process**, thus, affecting the internal security of India by **destabilizing Jammu and Kashmir** region (as happened in 1990s.)

## Impact of US-Iran conflict on India's International relations

The political aspect of managing relations with the US and Iran can be a formidable challenge.

- **India's relation with US:** If India continues to buy Iranian oil, refusing US sanctions, it is likely to impact the strategic relationship with the US and can create strains in Indo-US defence deals.
- **India's relation with Iran:** If India stops sourcing oil from Iran, it will affect bilateral relations. This can draw Iran closer to China.
- Moreover, giving in completely to US pressure and cutting off Iranian oil imports affects India's pursuit of **strategic autonomy**.

## Way forward

- India must make serious efforts to make its economy immune from fuel shocks by diversifying India's energy basket towards **renewable energy sources**.
- India must also augment its **strategic reserves** to at least 100 days capacity from present only 10days capacity.
- India can devise a **Rupee payment mechanism** to overcome the sanctions; or can adopt the **INSTEX mechanism** to continue bilateral trade.
- India can offer Iran to **enhance its investments** in the Chabahar Port development project as well as consider initiating other developmental and connectivity projects to strengthen linkages to Afghanistan and Central Asia.
- This will ensure that India's relationship remains favourable. And it can also strengthen India's commitment towards strategic autonomy and will assert India's role as a **global power pursuing independent foreign policy**.

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