US and Iran nuclear deal - Implications

What is the issue?

The United States has pulled out of the Iran nuclear deal. It is imperative at this juncture to look at the possible global implications and for India in particular.

What is the deal about?

It is officially called the Joint Comprehensive Plan of Action (JCPOA). It was signed between Iran and the P5, plus Germany and the EU in 2015. P5 is the 5 permanent members of the UNSC (US, China, France, Russia, and UK).

The deal aimed at curbing Iran's nuclear programme.

Under the deal:

i. most of Iran’s enriched uranium was shipped out of the country
ii. a heavy water facility was rendered inoperable
iii. operational nuclear facilities were brought under international inspection

In return, the deal involved lifting of international sanctions on Iran.
What are US's present concerns?

- Trump administration says the deal did not target Iran’s ballistic missile programme.
- It does not focus on Iran's nuclear activities beyond 2025.
- It also leaves Iran's role in conflicts in Yemen and Syria.
- It is said that the ‘one-sided deal' did not bring calm and peace to the region.

What are the strategic reasons behind?

- Iran has been compliant with the provisions of the deal.
- The deal is largely a successful one.
- So the actual concern for US is Iran’s re-accommodation in the global economic mainstream.
- This is as well the concern for US's closest allies in West Asia, Israel and Saudi Arabia.
- Iran’s rising economic profile would embolden it to increase its regional presence.
- This would pose a strategic threat to the interests of the U.S.-Saudi-Israel axis.

What are the global implications of the decision?
The US has created a crisis in an already unstable region. It doesn’t necessarily trigger an immediate collapse of the agreement. The UK, Germany, China, France and Russia still remain committed to the agreement. But it is to be seen if Europe and other powers will stick together or change under US pressure. If they deviate from their positions, West Asia will be a lot more dangerous. Iran is cautious, saying it would engage diplomatically with the remaining signatories. Notably, the challenges will emerge not only for Europe, once US sanctions are in place. Other nations with strong trade ties with Iran, including India, would also face the impact.

What is India’s stance?

India has been a proactive votary of the international rules-based order. It has been extremely supportive of the Iran nuclear deal. India recognises Iran’s right to peaceful uses of nuclear energy. On the other hand, it also highlights the international community’s interest. It has thus maintained that the Iranian nuclear issue should be resolved peacefully.

What are the implications for India?
• **Energy** - Until 2010-11, Iran was India’s second-largest oil supplier after Saudi Arabia.

But it slipped in subsequent years as international sanctions hit Iran.

It is now India’s third-largest supplier after Iraq and Saudi Arabia.

But following the 2015 deal, the supplies rose considerably.

A disruption to this trend may affect India's energy trade.

India and Iran have strategic interests in keeping the relationship sustainable.

But it should be insulated from the impact of sanctions.

**Chabahar port** - Chabahar port is both a financial and a strategic investment for India.

The engagement between India and Iran on Chabahar has gathered momentum.

The work is expected to be completed soon.

Possible American sanctions could hit infrastructure development in Chabahar.

This could affect the pace of development and cause a delay.

However, India may still have options if other signatories stick with the JCPOA.

**West Asia** - Trump’s move would mean US engaging with Iran's regional rivals Saudi Arabia and Israel.

This could destabilise the region where over 8 million Indian migrants live and work.

Military tensions in West Asia have forced India to evacuate its nationals in the past.

However, India's capacity to do so is limited.

**India-US relationship** - In Trump's administration, the US has been hard on Pakistan.
But has asked India to be more proactive in the Indo-Pacific, with an eye on China.

However, India has been wary of committing too much on the Indo-Pacific strategy.

The India-US-Japan-Australia ‘Quad’ is also in the nascent stage.

Moreover, uncertainties exist over the relationship with Russia.

Amidst these, the Iran situation will test the durability of the “strategic partnership” between India and US.

NSG - India is aspiring to join the Nuclear Suppliers Group (NSG).

Given this, it has to make a clearer articulation of commitment to JCPOA.

This will help with the Europeans, especially the French, who are backing India’s NSG membership bid.

What lies ahead for India?

Chabahar - India’s goal of helping Afghanistan’s reconstruction may be affected if Chabahar is slowed down.

Notably, India is engaged in Afghanistan at the request of the Trump administration through $ 1 billion assistance.

India may likely argue with its interlocutors in Washington.

It could stress that access to Afghanistan is a shared objective of both countries.

India-Iran - The government should look at options like the rupee-rial trading mechanism.
• Opening of Iranian banks in India and Indian banks in Iran could be considered.

• This would facilitate movement of money and income between the two countries.

• It is a moment for India and Iran to plan for similar crises in future.

Source: Indian Express, The Hindu