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Declaration

I, Ahad Hadian, declare that this thesis is a result of my research investigations and findings. Sources of information other than my own have been acknowledged and a reference list has been appended. This work has not been previously submitted to any other university for award of any type of academic degree.

Signature.....

Date.....

Walking on a Delicate Line

Between

IRAN *and*

INDIA's

Competing Set of Interests Regarding Iran's Nuclear Program and Sanctions

The

**UNITED
STATES**

Ahad Hadian

Sverre Lodgaard

تقديم به
ابوالقاسم، عذرا و مينا عزيزم

Dedicate to my beloved
Abolghassem, Ozra and Mina

To Syrian Refugee Children

Acknowledgments

This study is an outcome of assistance, support and encouragement of many people, and I would like to take this opportunity to extend my respect to them.

Foremost, I would like to offer my sincere gratitude to my supervisor, Professor Sverre Lodgaard, for guiding me in the right direction. It is for his solid knowledge about international politics and his priceless comments on my drafts that I managed to finalize this thesis. I appreciate his patience, support and generosity in providing me with a desk at NUPI. Despite his busy schedule, he spent enormous amount of time and effort for me throughout the entire project. I am humbled to have the opportunity to work with him.

Special thanks goes out to Stig Jarle Hansen, my course coordinator at NORAGRIC, for his guidance and support during my study. A special word of gratitude must go to my study coordinator, Ingunn Bohmann, for her inexhaustible endeavor and invaluable help. My deepest gratitude goes to my informants and politicians who agreed to be interviewed including Reza Marashi, who has depth knowledge about Iran and the United States volatile relationship and Iran's nuclear program.

Finally, I could have not been able to accomplish this assignment without the unconditional love, support and inspiration from my family and friends. Thank you for believing in me, cheering me up and standing by me through the good times and bad.

Ahad Hadian

Oslo, May 2014

Abstract

India and Iran have had a centuries-long history of close relations. However, in the last decade New Delhi has been looking to develop its relations with Tehran for two main reasons. First, India's high energy demand to keep the pace of its economic growth, for which Iran could be a reliable supplier; and second, New Delhi's desire to have Tehran on its side as a strategic partner in Afghanistan, Pakistan, and the Persian Gulf and further in Central Asia.

Despite its vote against Tehran at the IAEA and implementing US sanction on Iran, New Delhi has repeatedly declared its opposition to sanctions and encouraged diplomacy instead. India's vote was not expected in Tehran and considered as India's need to build confidence with the United States to secure Indo-US Civil Nuclear Agreement. Furthermore, Washington's support is necessary for having a permanent seat at the UN Security Council, which could facilitate New Delhi's ambition to be a great power. This wandering position on Iran's nuclear program is an outcome of India's geopolitical, strategic and national security calculus and the dilemma with Iran and the United States, which is likely to persist for years to come.

India's divergent interests have made diplomacy and international relations complicated for New Delhi to balance its interests between Iran and the United States. This thesis addresses different perspectives which display India's interdependence with regard to the United States and Iran, and why India chose not to openly pick a side between Tehran and Washington.

Keywords: India, Iran, United States, Interdependence, Geopolitics, Energy, Security, Sanction, Iran's nuclear program

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List of Abbreviations

| | |
|--------|--|
| ASEAN | Association of Southeast Asian Nations |
| Bcf | Billion Cubic Feet |
| BIT | Bilateral Investment Treaty |
| Btu | British thermal unit |
| BP | British Petroleum |
| CENTO | Central Treaty Organization |
| CISADA | Comprehensive Iran Sanctions, Accountability, and Divestment Act |
| CSR | Caspian Sea Region |
| CTBT | Comprehensive Test Ban Treaty |
| EIA | Energy Information Administration |
| EU | European Union |
| EU3 | France, Germany and United Kingdom |
| EU3+3 | China, France, Germany, Russia, United Kingdom and the United States |
| FDI | Foreign Direct Investment |
| FTA | Free Trade Agreement |
| GDP | Gross Domestic Product |
| GSP | Generalized System of Preferences |
| IAEA | International Atomic Energy Agency |
| IEA | International Energy Agency |
| IFCA | Iran Freedom and Counter-Proliferation Act |
| ILSA | Iran and Libya Sanctions Act |
| ISA | Iran Sanctions Act |

| | |
|-------|--|
| IOR | Indian Ocean Region |
| IPI | Iran-Pakistan-India |
| ISA | Iran Sanction Act |
| ISAF | International Security Assistance Force |
| ISI | Inter-Services Intelligence |
| JPA | Joint Plan of Action |
| LNG | Liquified Natural Gas |
| MOU | Memorandum of understanding |
| NAM | Non-Aligned Movement |
| NATO | North Atlantic Treaty Organization |
| NDAA | National Defense Authorization Act |
| NIGEC | National Iranian Gas Export Co. |
| NIOC | National Iranian Oil Company |
| NPT | Non-Proliferation Treaty |
| NUPI | Norsk Utenrikspolitisk Institutt |
| OPEC | Organization of the Petroleum Exporting Countries |
| PPP | Purchasing Power Parity |
| P5+1 | China, France, Germany, Russia, United Kingdom and the United States |
| TAPI | Turkmenistan-Afghanistan-Pakistan-India |
| Tcf | Trillion Cubic Feet |
| UN | United Nations |
| UNSC | United Nations Security Council |
| US | United States |

| | |
|------|-----------------------------|
| UAVs | Unmanned Air Vehicles |
| WB | World Bank |
| WMD | Weapons of Mass Destruction |

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“We stand at the end of an era and on the threshold of a new period of history... Asia, after a long period of quiescence, has suddenly become important again in world affairs. ...It is fitting that India should play her part in this new phase of Asian development.”

Jawaharlal Nehru

Asian Relations Conference, 1947

Chapter 1

Introduction

1.1. Background

The global center of gravity has gradually shifted towards the East from the West during the last few decades. Although this shift has primarily been due to immense economic growth in China and Japan, and India. However, unlike the European rivals during the colonial period who were competing for overseas dominance, regional rivalry is the most likely source of tension among main Asian actors. India, as a postcolonial state, tried during the Cold War to stay out of the dispute between the two main superpowers by establishing and leading of the so-called nonaligned nations, which was allegedly neutral but politically uncertain. Beside its military defeat to China in 1962 and military collision with Pakistan in 1965 and 1971; the prevailing perception of India has until recently been a state with moralistic opinions and a strong desire to be neutral in international political affairs. Nonetheless, India's previous political standpoint has changed as a result of two key developments; "India's defiant testing of its own nuclear device in 1974 and of nuclear weapons in 1998, and its period of impressive economic growth beginning in the 1990's" (Brzeziński 2012, P 20). In 1991 India began to restructure and liberalize its economy by transforming the inefficient and quasi-socialist financial structure left by Jawaharlal Nehru and the Gandhis into a more free and dynamic market economy. The program included reducing government regulations and bureaucracy, deregulating international trade and investments, abandoning subsidies and fixed prices and supporting privatization. This new economy system was based on services and high technology and put India in the same export-driven growth path as Japan and China (Brzeziński 2012).

Albeit India's persisting domestic difficulties "ranging from religious, linguistic, and ethnic diversity to low literacy, acute social disparities, rural unrest and antiquated infrastructure" (Brzeziński 2012, p. 20) and their booming population, some consider India as a potential challenger to China's preeminence in Asia. India has two long-term strategic and political ambitions; securing its greater global influence and expanding its regional primacy. India has tried to attain global status by developing Indo-American relations during the first decade of the twenty-first century; however, its regional challenges and rivalry remain a serious barrier for achieving its regional and geopolitical ambitions (Brzeziński 2012). As a result, India's geopolitical, regional and security concerns must be seen through the frame of existing rivalry and competition to achieve superiority in Asia.

1.2. Research Relevance

In the wake of India's desire to rise as a global power, New Delhi realized that could be possible by the means of establishing a strategic proximity with the United States. Accordingly, the past decade, has been a turning point to strengthen political, economic, military and social interactions between New Delhi and Washington. Achieving the status of a global power, India needs rapid economic growth and development, reliable sources of energy and a secure and stable region. Thus, having entente with countries that possess or can provide these requirements for India, is of urgent importance. This, to a large extent, explains why India needs to move closer to Iran, while Iran is under heavy sanctions by the United States, mainly due to the lack of trust about the real purpose of Iran's nuclear program. Wary of the peaceful nature of Iran's nuclear program and compel Iran to clarify its activities, Washington has pressured New Delhi to curb its relations with Tehran and reduce the level of Iranian crude imports. Although having close relations with Washington are of great value to New Delhi, India would not agree to curb its ties with Iran more than a certain level.

India and Iran have many common interests. However, in the wake of Iran's controversial nuclear program and the long time standoff between Iran and US, Indo-Iran relations have been influenced dramatically. One of the most important current concerns in New Delhi is the security situation in Afghanistan after the US and NATO 2014 withdrawal. Unlike Pakistan, Iran and India are both opposed to the Taliban, which can facilitate their cooperation. This goes back to before the US invasion of Afghanistan, when India and Iran supported the Northern Alliance against Pashtun Taliban. Moreover, Iran can provide land and sea access to Afghanistan and, Central Asia for India, who are interested in alternative trade routes to the region, since transit through Pakistan is not an option for the near future. On top of that, Iran holds gigantic amounts of oil and natural gas, which could fuel and secure India's economic growth. Energy security is a necessary element for India to emerge as a global power. Having such security can reduce India's vulnerability and provide basis for economic and military strength. Thus, energy security is a major concern for New Delhi that has necessitated a gentle balance of relationships between competing interests of Iran and the United States. Whereas with the US pressure on India to minimize its involvement in Iran's energy sector, China has kept its presence in Iran's energy market as the major customer of Iranian crude. It could better explain India's reasoning behind

staying relatively neutral with respect to Iran.

In addition to UN sanctions, the United States has imposed rounds of unilateral sanctions on Iran's nuclear program, claiming that Iran peruses a military purpose under its civil nuclear program. However, despite obvious negative economic impacts for India in supporting sanctions, particularly due to energy dependency and security, India has abided all the UN and the US sanctions against Iran. Furthermore, to please the US, India has voted three times against Tehran at the IAEA, since New Delhi knew that it would not be pleasant for Tehran and the US does not quite regard Indian concerns with a similar seriousness. The United States concerns about India's ties to Iran must be viewed in the context of India's growing priorities in the Indian Subcontinent and the Middle East. India craves international recognition and influence as a world power and it does not want to lose that by aligning itself with Iran. However, politically India needs to support sanctions against Iran, while economically that is a difficult decision to sell at home. Iran is far too important in the region to be ignored, but at the same time it is also too troublesome to be an ally. To secure its significant interests in both countries, India need to use attentive diplomacy to translate its interests with both countries into political leverage. Indeed, it is wholly consistent with New Delhi's desire to extend its influence throughout the Asian landmass, and would also serve as a powerful demonstration of India's larger role on the world stage.

1.3. Research Questions

A well-defined and understood situation can be a good capacity for a possible research project. Research designs to deal with one or more questions to answer a problematic situation, and ultimately to shed light on this conflict (Locke et al. 2007). The research question is very central for the process of research, because the researcher should design an inquiry in such a way that enables him/her to answer the question. In addition, a well-designed research question enables us to lighten the purpose of the research project and leads the researcher in the right way during the process of scrutiny (Matthews & Ross 2010).

Taking into account the previous discussion, it is clear that New Delhi needs to have good relations with Tehran to serve its energy hunger and geostrategic interests. On the other hand, Washington has pressure on New Delhi to lessen its ties with Tehran regarding the US sanctions

on Iran's nuclear program. Given the role that India considers and seeks at the international and regional level and the importance of US role to achieve that status, the following research question will be tackled in this study:

How did India balance its competing set of strategic interests between Iran and the United States over Iran's disputed nuclear program and the retorting imposed sanctions?

In order to achieve a full understanding of the subject under scrutiny and to be able to come to a comprehensive answer, the following sub-question will be addressed as well in this thesis:

What are the Indian geostrategic interests in relation to Iran and the United States and how could they be attained?

The main goal of the research question in this survey is to investigate the set of ideas and elements that surround India's competing interest vis-à-vis Iran and the United States. It is the author's hope to present the different perspectives and viewpoints that participants hold in this inquiry as clear as possible.

1.4. Research Objectives

The main objective of this research is to:

Understand India's dilemma in balancing its national interests vis-à-vis Iran and the United States, by using Iran's controversial nuclear program as a factor.

By exploring Indian geopolitical, security, energy, military and economic ties with both Iran and the United States, the author hopes to shed light on the potential challenges that would arise for India to address its national interests in regards with Iran's nuclear program and sanctions.

Chapter 2

Methodology

2.1. Research Methodology

The choice of qualitative research not only highlights the methodology and methods, but also the paradigm of the research. Thomas Kuhn introduces paradigm as a philosophical position, which refers to a set of very general philosophical premises about the essence of reality and world (ontology), and how we understand this reality and knowledge (epistemology) (Bickman & Rog 1998). In other words, methodology is a strategy that “translates ontological and epistemological principles into guidelines that show how research is to be conducted; and principles, procedures and practices that govern research” (Tuli 2011, p. 102).

2.2. Philosophical Positioning

Explaining ontology and epistemology help us for a better understanding of this study, and give shape and definition to the conduct of research (Bryman 2012).

2.2.1. Ontological Considerations

Unlike the ontological position objectivism, constructivism believes that ‘reality’ cannot exist ‘out there’ irrespective of people’s interactions (Mutch & Research 2005). According to constructivism, reality constructs by human and it is people who make their own sense of social realities. These researchers employ qualitative tools to investigate, interpret, analyze and describe social realities (Bassey & Association 1995; Cohen et al. 2013). In this paper, there are different actors and elements that influence India’s interests and more importantly give meaning of their own perceptions about India’s approach toward the United States and Iran. Therefore, regarding the nature of constructivism that participants have an active role in understanding of the reality, constructivism would be a proper orientation for this study (Bryman 2012).

2.2.2. Epistemological Considerations

Epistemology concerns the basic questions; “what is the relationship between the knower and what is known? How do we know what we know? What counts as knowledge?”(Tuli 2011, p. 99) Interpretivism is a basic framework for most qualitative inquires. In this perspective, the

world is constructed, interpreted and experienced by individuals in their interactions with each other and with wider social system (Bogdan & Biklen 2007; Maxwell 2005). When positivists see human behavior in terms of the laws and effects and try to generalize it to a population; interpretivists view human activity as being created out of evolving meaning system that individuals generate during their social interactions (Neuman 2003). Furthermore, they concern about an in depth understanding of the research problem in a specific context (Ulin et al. 2004). Interpretivism seems to fit for this study when there is no exact answer about what policies India could drafts towards Iran and the United States. Besides, the unclear circumstance that revolves around Iran's nuclear program has a significant influence on the ongoing discourse and interactions between the actors and beneficiaries. Thus, the future of India's relation with the United States and Iran is wrapped with uncertainty and interpretivism is a suitable approach to apply in this thesis.

2.3. Choosing Methods

Methods are specific research techniques used to study a topic. In other words, methods are investigative tools to facilitate and secure the research during the process of collecting and analyzing data (Silverman 2006).

2.3.1. Qualitative vs. Quantitative Research

It is central to understand the nature of problem and research question in order to choose the proper technique for conducting a research (Marvasti 2004). This qualitative research is associated with interpretivist epistemology and constructivist ontology. Likewise, the goal of research is to provide a detailed and in depth description and explanation about the subject under scrutiny; while believes the world is socially constructed, complex and ever changing (Marvasti 2004; Tuli 2011).

The key idea of this study is to identify and investigate how India can balance its interests between the United States and Iran. Regarding that New Delhi needs both countries for its regional and international interests, while volatile relations exist between Tehran and Washington. It is clear that the author needs to discover interactions of actors who are involved

in this study, and creates a basic understanding of their possible actions in the near future to reach their aims. One of the main features of qualitative research is its ability to explore intangible issues (International et al. 2005); for instance actors' perceptions, values, interests and degree of involvement in this study. Using qualitative research can provide us with a rich explanation and understanding of the research question and problem statement. Although, this paper will employ some numbers and figures in the empirical and conclusion parts, qualitative inquiry does not describe by using numbers and has to be interpreted in words.

2.3.2. Working with Theory (Inductive vs. Deductive)

The researcher's job is to find own preliminary theories that might explain what is going on and decide which one is more plausible or acceptable to own study. Theories have significant impact on research and are closely associated to the research methodology and the nature of collected data. By taking an interpretivist position, a researcher may start with a research question (that likely originates from existing theory); and later drive his explanations from data which already was gathered in an inductive approach (Matthews & Ross 2010).

An inductive approach tries to establish a connection between observations and conclusions, which draw from collected data (Easterby-Smith et al. 2012). The present research attempts to outline and understand, how New Delhi associated with Washington and Tehran, and how these bilateral relations help New Delhi to serve its best interests. To discover the answer, a researcher tries to realize the Indo-Iranian and Indo-American relations. Although, the conclusion should be in the line of hostile relations between Iran and the United States in general and Iran's controversial nuclear program in particular; and ultimately attaches findings to the provided theories. Thus, this research will be based on an inductive approach, as it will move from observations toward a deeper understanding of India's interests toward Iran and the United States.

2.3.3. Unit and Fields of Study

In order to make a coherent research design, it is important to consider the units and fields of data collection and analysis. It seems more tangible when we know methods of collecting data from various fields and units of analysis are diverse, and researcher should contemplate about

how to analyze these sets of data and how to present the findings (Matthews & Ross 2010). Here in this study, the units of research are three countries; India, Iran and the United States, and study would conduct in different fields. Therefore, India's bilateral policies vis-à-vis the United States and Iran would investigate from regional, economic, geopolitical and energy aspects to the international level. Finally, we will see how these different aspects have been influenced by Iran's nuclear program and imposed sanctions.

2.4. Research Design

Without having a proper research design, there is a high chance that the conclusions drawn might be weak and implausible and fail to answer the research question. It implies that research design helps researcher not only look for the most compelling evidence that supports his favorite theory, but provide the possibility to investigate for evidence with competing explanations (de Vaus 2001). It is important to draw a distinction line between research design and research method. Research design reflects a structure that guides implementing of the research method and the analysis of the subsequent data (Conrad & Serlin 2011). Matthews and Ross consider four main kinds of research design: Experimental, cross-sectional, longitudinal and case studies (2010).

2.4.1. Case Study

Case study is proper to narrow down a very broad field of research into one or a few easily researchable cases which are demonstrated in the research question. It is also an appropriate instrument for testing whether a theory actually applies to a specific situation in the real world. It is a useful qualitative design to investigate the relations between the components of the case and the case as a whole body. Having interpretive approach, the case study has a significant potential to study subjects within their context and the meaning that people bring to the situation, and finally produce enough data to address the research question (de Vaus 2001; Matthews & Ross 2010).

This research is a case study. It attempts to have an in-depth understanding of Indo-American and Indo-Iranian relation in general and narrows it down to the case of Iran's nuclear program and sanctions. The choice of the case study research design also confirms the previous selection

of interpretive approach, when different actors and elements in the study bring their own meaning to the situation. Besides, here the researcher will try to assess the applicability of Nye and Keohane's theory about complex interdependence in the case of India.

2.5. Data Collection

Taking an interpretivist approach, a researcher should collect data that helps him “to capture and interpret the meanings and understandings attributed to a social phenomenon through a consideration of the way the data is constructed and the language used within a social context” (Matthews & Ross 2010, p. 52). In order to address the research question, the researcher has benefited from assessing variety types of data including primary and secondary data.

2.5.1. Primary and Secondary Data

The researcher enjoys primary data by controlling the quality, amount of gathered data and design of measurement. Although primary data is expensive and time consuming to collect, it makes a great contribution to answer the research question. In this study primary data was collected through interviews with experts and politicians with different point of views about the subject. Interviews were in-depth, open ended and semi-structured with the aim of seeing India's interests from as many diverse angles as possible. Whether or not the interviewees replied trustfully is an issue that always revolves around the research, but being a researcher this risk should be taken into account during the process (Easterby-Smith et al. 2012).

One of the main benefits of employing secondary data is saving time and money by providing plenty of data. In addition, a reliable secondary data is more likely to be accurate, since it was not gathered for the purpose of current study and seems to be more unbiased. Finally, secondary data have a supportive and comparative role for primary data. Although, it is always a concern that secondary data has been collected for another study and might not be appropriate enough for the objects of current research (Saunders et al. 2009). For the purpose of this study, secondary data was collected from books, refereed journals, theses, conference papers, newspapers, media, official documents, research reports and official's lectures.

2.6. Data Analysis

Qualitative analysis can be exercised in two different ways. The first approach attempts to understand what participants ‘really’ thought, felt or did in a given circumstance or at some point of time. Another approach has a hermeneutic perspective on text, which simply means a text is an interpretation and one can never argue whether it is true or false. From a hermeneutic point of view, a researcher constructs the ‘reality’ by interpreting a text; while other researchers with different backgrounds could draw entirely different conclusion (Patton 2002). Qualitative data analysis is a continuous, interactive, flexible and dynamic process that begins when data collection has started and is not a phase after it has been completed (Stake 1995).

2.6.1. Thematic Analysis

Grbich defines thematic analysis as “a process of segmentation, categorization and relinking of aspects of the data prior to final interpretation” (2012, p. 16). In this technique, the researcher’s main task is about interpreting and getting a good understanding of words. Starting with each series of data and putting them alongside the other data, help us to describe data, explore for meanings from different angles and explain the relationships between different parts of it. Throughout thematic analysis, interpretations and understandings should be checked out against each successive batch of data. Regarding the nature of qualitative analysis, we must always be in touch with the raw data. The, possibility of returning to raw data at times throughout the process enables us to check our interpretations, to look at data from different viewpoints and to make links between different parts of data within each case (Matthews & Ross 2010). In this research thematic approach is applied, which provides the researcher with strong tool to identify different aspects of India’s relation with the United States and Iran.

2.7. Quality Assessment

Trustworthiness criterions of the Qualitative approach depend firmly on the researcher (Patton 2002). Having an interpretivist standpoint in mind, validity and reliability cannot assure the quality of research in qualitative studies and they should be redefined and restructured to reflect the multiple ways of establishing trustworthiness (Winter 2000). Guba proposes four criteria in pursuit of a trustworthy qualitative study, including: credibility, transferability, dependability and

confirmability (1981).

2.7.1. Credibility

The impact of the existence of multiple accounts of social reality, is evident in the trustworthiness criterion of credibility. Establishing credibility ensures that the study has measured or tested what is actually intended; and determines the research findings confirm whether the investigator has correctly understood the reality of social world or not (Bryman 2012; Shenton 2004). In this study, the researcher has tried to meet the credibility requirements by employing different procedures. Data gathering session had been in line to answer the main research question, and methods used in data analysis derived from the previous comparable projects that have been successfully utilized. In addition, frequent meeting sessions between the researcher and his supervisor, Sverre Lodgaard, has happened. Through several meetings, author has tried to grasp his supervisor's experience and perceptions and put them into practice. Professor Lodgaard's knowledge has enabled the author to refine his methods, develop a greater explanation of the research design and strengthen his arguments in light of the comments made. Furthermore, the author took the opportunity of stationing at NUPI and having extensive access to its rich database. Interacting with colleagues, academics, politicians and peers, has helped the researcher to have a better understanding of the subject under scrutiny from different points of view and with real detachment. These discussions assisted the author to widen his own perspective, contemplate about alternative approaches, recognize his own biases and get practical feedbacks. Another aspect which helped to increase the credibility of the research is the researcher's background and experience. Having previous experience of writing a master thesis provides the author with practical skills to conduct research. This is more important in qualitative inquiry where researcher is the major instrument of data collection and analysis (Patton 2002; Shenton 2004).

Another concept that has very close relationship with credibility and helps to boost trustworthiness is triangulation. This approach has been applied in this study, by collecting and working with data from different sources to cross-check findings. Diversified informants, data sources and a wide range of documents have been assessed to meet the triangulation criteria. Emerging similar findings from different perspectives, in order to get a better and more reliable understanding of 'reality', might end with greater credibility in the eyes of observers (Matthews

& Ross 2010; Shenton 2004).

2.7.2. Transferability

Qualitative study is always concerned with the extent to which findings of the study at hand can be applied to other situations. Since the results of a qualitative inquiry, however, are usually specific to a particular case, it is impossible, to a great extent, to claim that findings and conclusions are applicable to other situations (Shenton 2004). In contrast, Denscombe argues that, while each qualitative study is an unique case, it is also an example within a larger group; therefore, the prospect of transferability should not be denied at the first place (2010). In the same vein, Lincoln and Guba believe it is the researcher's responsibility to ensure observers, to what degree they can be confident in transferability of the presented results and findings to other situations (1985). They suggested that providing a sufficiently thick description of the case under scrutiny allows readers to have a rich understandings of details; and enable them to make judgments about the possible comparison of findings to other cases (Bryman 2004; Shenton 2004). In order to implement the extent to which findings of this study may be transferable to other cases; the author has tried to provide adequate information about data collection methods that were employed, restrictions of informants who contribute to data collection and where they are based and finally the course of time which data was collected. At the end, even if different qualitative studies deliver findings that are not wholly consistent with one another, it does not imply necessarily that one or more is untrustworthy; it may simply describe the existence of multiple realities (Shenton 2004).

2.7.3. Dependability

The concern of reliability in the positivist paradigm is to address, if the study were repeated in the same context, with the same methods and with the same participants; similar findings would be achieved (Shenton 2004). Lincoln and Guba believe that reaching credibility in practice, to some extent, result in ensuring dependability (1985). In order to ensure dependability concerns in this study, the researcher has reported the complete records of all phases of the project in details. This enables another researcher to repeat the same study, even if not necessarily the same results are obtained. Thus, developing a thorough coverage of research design, methods, data gathering and analysis to assess the degree to which proper research practices have been followed is

viewed as a way to increase dependability criteria (Shenton 2004).

2.7.4. Confirmability

The concept of confirmability is the comparable concern to objectivity in quantitative study, and is associated with the use of research tools that are not reliant on human skill and perception. In qualitative study, while complete objectivity is impossible, observers should be ensured that findings are the result of collected data rather than researcher's preferences. To achieve confirmability in this study; theories and beliefs that underpin the conclusions have been discussed, adopted methods have been acknowledged, reasons behind using each approach have been explained and weaknesses in employed techniques have been admitted within the research report. It must be emphasized that using triangulation also helped to reduce the effects of researcher's bias and finally promotes confirmability. Last but not the least, the author himself has not allowed his personal values or beliefs to incline the conduct of research and findings deriving from it (Bryman 2004; Shenton 2004).

2.8. Ethical Consideration

There are always ethical considerations during the course of research that should be addressed (Matthews & Ross 2010). In this research, two main issues have been considered. Some of the informants were senior incumbent politicians and their current positions are kept confidential. Therefore, their inputs to this study and points of view have been presented in a way to assure their name will not be identified. In addition, the author has done his best to stay unbiased in all parts of the research process. He has tried to collect data from diversified sources, fairly represent different viewpoints and analyze findings and conclusions as neutrally as possible. His final aim has been to help observers and readers to arrive at a better understanding of India's policy vis-à-vis Iran and the United States in this specific context.

Chapter 3

Theoretical Framework

3.1. Interdependence in World Politics

Interdependence is a central part of the current world order. This denotes that the nature of world politics has dramatically changed, and absence of geopolitical dominant powers is part of the reality of our age. United States no longer has the universal superiority as it once had, particularly after the attack on September 11th 2001, the Iraq war, the financial crisis and most notably the ‘rise of the rest’ like China and India (Fareed Zakaria 2012a). Even Henry Kissinger with his deeply rooted thoughts in traditional politics believed more than three decades ago, that, “the traditional agenda of international affairs -the balance among major powers, the security of nations- no longer defines our perils or our possibilities.... Now we are entering a new era...The world has become interdependence in economics, in communications, in human aspirations” (1975, p. 1). Now states, which have been the dominant actors in world politics for the last four centuries, have been challenged by strong non-state competitors such as multinational corporations, transnational social movements and international organizations (Keohane & Nye 2012b).

Modernists and the traditionalists have framed and conceptualized the politics of interdependence in different ways. Traditionally, the behavior of states has been dominated by potential ‘state of war’ and the constant danger of military threat. This idea which was labeled as ‘political realism’ became widely popular between scholars of international relations during the Cold War and particularly the first decade after the World War II. Modernists, in contrast, believe that tremendous changes are taking place constantly. They argue, given the gigantic advances in communication technology and increases in social and economic transactions, states and their power are no longer as significant as before. Traditionalists have doubted the modernist’s claim by pointing out how military interdependence has continued. Meanwhile, modernists do not believe that the military era had been obsolete and replaced with interdependence; even they mention that nuclear deterrence is a form of interdependence (Keohane & Nye 2012b). This paper has no intention to take a side between the modernist or traditionalist approach, as our time is characterized by both continuity and change. Rather, this study attempts to provide a framework for understanding India’s bilateral interests towards Iran and the United States by employing political analysis of interdependence.

To realize and shed light on the concept of interdependence, one question should be addressed. “What are the major features of world politics when interdependence... is extensive?” (Keohane & Nye 2012b, p. 5) In order to answer this question, interdependence should be defined; its major types should be explained, and linked to the concept of power as an important element in political analysis. Interdependence influences world politics on one hand; and states’ behavior and actions shape the types of interdependence on the other hand. Before building our understanding about interdependence, we must know the politics of interdependence (Keohane & Nye 2012b).

3.2. Politics of Interdependence

3.2.1. Interdependence, a New Rhetoric

National security was a prime reference for American politicians to generate and support their policies during the Cold War. It was the dominant rhetoric to back strategic, economic, military and political decisions at any considerable cost. Not only it had provided a rationale for international cooperation and support **in capacity of the United Nations**, but also justified the alliances, foreign aid and extensive military intervention. National security became a buzzword for internationalists who were supporting American additive interference in world. Furthermore, its significance had increased due to ‘realist’ analysis, which believed national security is the states’ primary goal when security threat is a permanent concern. The symbolism of national security not only paved the way for specific political analysis, but also overlooked some changes, like the rising importance of economic relations, that could be periled for national security (Keohane & Nye 2012b). When the security threat of the Cold War diminished, foreign economic competition and domestic distributional conflict amplified in the United States. At the same time national security shared its importance with interdependence in the internationalist’s lexicon. Politicians started to use interdependence in their rhetoric as a national necessity. In their view, interdependence was a basis that politician should use to lessen the conflicts of interest. Notwithstanding the fact that interdependence and national security rhetoric may sound different, American statesmen have used both of them to legitimize their adopted policies (Keohane & Nye 2012b).

Since military power seems to be less instrumental in solving the problems, various sources of power may be needed to deal with different world challenges. In the politics of interdependence, national and international interests, and domestic and foreign policies are closely linked (Keohane & Nye 2012b). As Keohane and Nye put it, “we are not suggesting that international conflict disappears when interdependence prevails. On the contrary, conflict will take new forms, and may even increase. But the traditional approaches to understanding conflict in world politics will not explain interdependence conflict particularly well. Applying the wrong image and the wrong rhetoric to problems will lead to erroneous analysis and bad policy” (2012b, p. 8).

3.2.2. Interdependence, an Analytical Concept

Dependence, is a state of being which is significantly confined and affected by peripheral forces. This means that there is an asymmetrical vulnerability between two sides; and asymmetry derives from the fact that one party needs the benefits of a relationship more than the other (Holsti 1978; Wagner 1988). Interdependence, on the other hand, means mutual dependence. In world politics, interdependence is a situation which is known by reciprocal effects among states or actors in different states. Effects are the outcomes of international transactions like flows of money, goods, people or messages across international boundaries. It is important here to draw a line between interconnectedness and interdependence. A fruitful interdependence relies on the constraints or costs that are associated with transactions. In this regard, there is a big difference between a country which imports all its oil and is reliant on the continual flow of it compared to a country importing furs, jewelry and perfume. So, when “there are reciprocal costly effects of transactions, there is interdependence” (Keohane & Nye 2012b, p. 9). Whereas, when there are no significant effects in interaction, it is basically interconnectedness. Knowing this distinction is central to understand the politics of interdependence.

It is important to have a clear definition of interdependence, in order to avoid false arguments about whether a given set of relationships are interdependence or not. In addition, it is important to integrate the concept of interdependence in the modernist and traditionalist approaches rather than divide it. Hence, interdependence would always include cost, since it limits the autonomy. However, it is not likely to know from the beginning, whether the benefits of a relationship would exceed the costs or it would lead to mutual gain. Distributed benefits depend on two elements; values of the actors and nature of the relationship (Keohane & Nye 2012b). To analyze

costs and benefits of interdependence, two approaches can be adopted. The first approach concentrates on the reciprocal gains or losses to the actors involved (zero-sum game). The other approach highlights the relative gains and distributional issues. The first approach was supported by classical economists who strongly believed in comparative advantages, which “undistorted international trade will provide overall net benefits” (Keohane & Nye 2012b, p. 10). Unfortunately, overemphasis on joint gain may dismantle the concerns about, how those gains are divided. “Many of the crucial political issues of interdependence revolve around the old question of politics, ‘who gets what?’” (Keohane & Nye 2012b, p. 10)

In light of the previous discussion, rising interdependence has generated a new world of cooperation which replaces the old world of international conflict. It is very simplistic to think the variance between traditional international politics and the politics of interdependence is the difference between a world of ‘zero-sum’ and ‘nonzero-sum’ game. In the new world, military interdependence does not necessarily need to be zero-sum. Instead, military agreements seek for interdependence to provide collective security for all. The same situation applies for the balance of power that does not need to be zero-sum. Traditionally speaking, when one side decides to unbalance the status quo, its profits would measure at the expense of the other side. Whereas, if most or all sides seek for a stable status quo, all can jointly gain by balancing out the power relations among them. However, it should be noticed that the politics of interdependence also include competition, particularly when great benefits are expected to be the outcomes of cooperation. Another issue that should be of concern is that interdependency does not convey a situation where evenly balanced mutual dependency exists. In other words, asymmetries in dependency are the most significant source and leverage of influence for actors to come into a deal. The least dependent participant can use an interdependence relationship as a source of power in bargaining to compromise over an issue and finally influence other actors. The two extreme sides of interdependence are pure symmetry and pure dependence, that are rare, and most cases situate somewhere between these two extremes. As a result, asymmetries are the cornerstone of any political bargaining process of interdependence (Keohane & Nye 2012b).

3.2.3. Interdependence and Power

Power has been a controversial concept for statesmen and observers of the international affairs. Traditionally, states with more military power have dominated world politics; while at the

moment sources of power are more diverse and complex (Keohane & Nye 2012b). According to Morgenthau, monopoly or quasi-monopoly of raw material by military weak countries, has severed the old functional relationship between political, military and economic powers (1974). Keohane and Nye define power as the “ability of an actor to get others to do something they otherwise would not do at an acceptable cost to the actor” (2012b, p. 11). Power is also known as the ability to control outcomes. Thus, power could be either an initial source that equip an actor with a potential ability; or an actor’s actual influence over outcomes. In this regard, asymmetrical interdependence could be a source of power with regard to control over resources or the possibility to affect outcomes. For example, an actor with less dependence in a relationship has political resources and leverage to a large extent; so changes in another party has less effect on the actor and the results are less costly. However, this advantage does not mean that the political leverage, which backed by proper asymmetries, will pave the way for similar patterns of control over outcomes. Usually there is no one-to-one correlation between “power measured by any type of resources and power measured by effects on outcomes” (Keohane & Nye 2012b, p. 11).

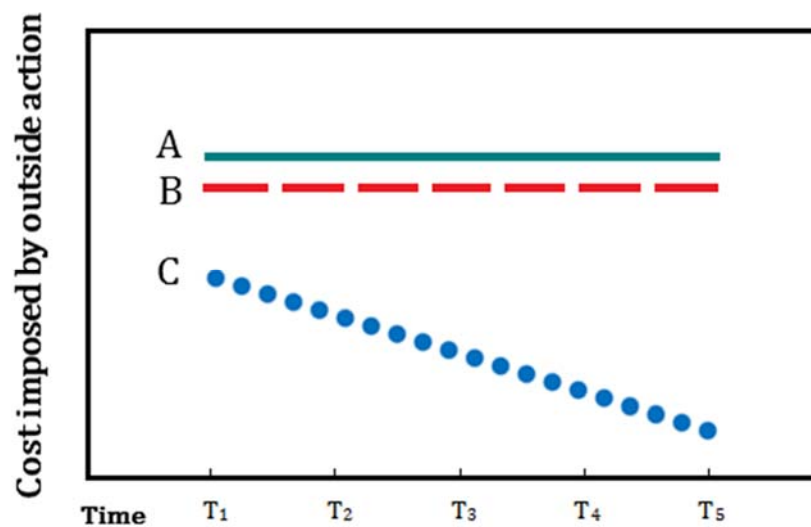
Interdependence measures with two dimensions: sensitivity and vulnerability. Keohane and Nye defined sensitivity as “degree of responsiveness within a policy framework - how quickly do changes in one country bring costly changes in another, and how great are the costly effects?” (2012b, p. 12) As mentioned, sensitivity interdependence is the outcome of interactions within a policy framework and in this context framework will remain unchanged. In other words, certain policies will remain unchanged; as a result of difficulty in formulating new policies in short time, or commitment to a certain pattern of domestic and international rules (Keohane & Nye 2012b).

Referring only to sensitivity to understand interdependence is alleviating the most central political aspect of mutual dependence. It is important to ask “what the situation would be if the framework of policies could be changed. If more alternatives were available, and new and very different policies were possible, what would be the cost of adjusting to the outside change?” (Keohane & Nye 2012b, p. 13) Vulnerability as another dimension of interdependence which talks about the relative availability and costliness alternatives that actors will face. Within cost of dependence’s framework, sensitivity refers to liability of costly effects that are forced from outside, as long as altered policies try to change the situations. On the contrary, vulnerability means an actor’s liability to suffer the imposed costs by external factors even after policies have

been changed. So, sensitivity has mutual effects, while vulnerability is the opportunity costs of disrupting the relationship (Baldwin 1980). Since it is usually time-consuming and hard to change policies immediately, the first and prompt outcome of external changes is generally sensitivity dependence. However, vulnerability dependence is measured only by the costliness and effectual adjustment to a changed situation during a course of time (Keohane & Nye 2012b).

To elaborate the difference between sensitivity and vulnerability three countries would be taken as example. These three countries are oil-consuming states which are confronted simultaneously with an external situation of increasing oil price by producers. Figure 3.1. shows the sensitivity of three countries to oil price changes which has been imposed from outside.

Figure 3.1. Sensitivity Interdependence (assume policies unchanged)

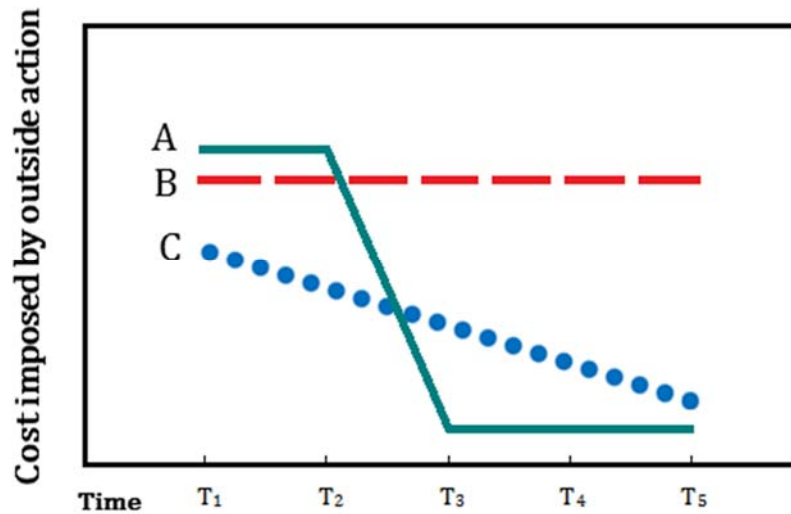


Source: Power and Interdependence (Keohane and Nye 2012)

Country A has the highest sensitivity to changes compare to countries B and C. Country C's sensitivity, however, decreases over time without any policy being changed. Gradual reduction in oil consumption might happen after the price rises and finally oil import is reduced. Now, if we assume each country attempts to change its policies in order to alleviate the imposed cost; the extent of these costs and political willingness to endure them would be the vulnerability dimension. These changes might be the decision to incur the high domestic costs by rationing or using expensive internal energy resources. For instance, Japan's vulnerability is its shortage of domestic hydrocarbon resources, while for the United States sociopolitical impediments on

formulating new energy policy and lack of domestic consensus might cause vulnerability (Keohane & Nye 2012b).

Figure 3.2. Vulnerability Interdependence (assume policies changed)



Source: Power and Interdependence (Keohane and Nye 2012)

In our example, in figure 3.2., country A’s cost of vulnerability is much less than its sensitivity. Adopting a new policy at the beginning of the second time period, allows country A to reduce imposed costs from outside changes by the third period. This reflects implementing an effective policy to become actually or potentially less dependent on petroleum imports. Meanwhile, country B and C are less able to alter their policies and remained vulnerable to imposed costs from external factors. It is worth to note that, sensitivity dependence does not necessarily mean the same as vulnerability dependence at the time of the first external change. Measuring long-term sensitivity is difficult by immediate effects of changes, and it is much less accurate when it comes to measuring long-term vulnerability (Keohane & Nye 2012b).

Understanding the importance of vulnerability is the key element to comprehend political structure of interdependence. In this context, vulnerability attempts to realize which actor is able to define the ‘*ceteris paribus clause*’ or regulate the rules of the game (Lanyi 1972). Vulnerability is more relevant than sensitivity in analyzing politics of interdependence. The important question in measuring vulnerability is to determine how effectively and swiftly altered policies could bring change and at what cost. In the same vein, sensitivity interdependence is less

important than vulnerability interdependence in providing power leverage for an actor. If an actor can reduce its imposed cost by changing its policies, either nationally or internationally, then sensitivity will not be a good scale for measuring power resources. Yet, vulnerability interdependence has more strategic weight compare to sensitivity interdependence, it does not imply that sensitivity is politically unimportant. Disregarding rising sensitivity, especially in states with pluralistic political system, could bring about political instability and failure to change the current policies. Policymakers and analysts use vulnerability patterns at the time of strategy making. They should answer to questions like, “What can they do, at what cost? And what can other actors do, at what cost, in response?” (Keohane & Nye 2012b, p. 16) Despite the importance of sensitivity interdependence, a coherent policy should be adopted on the basis of actual and potential vulnerability analysis. Thus, manipulating asymmetrical sensitivity interdependence with disregard to existing patterns of vulnerability is doomed to failure.

Implementing wrong strategies in manipulating interdependence is likely to end in counterstrategies. For instance, military power surmounts economic power, when economic factors are ineffective to counter serious use of military actions. Even, an effective manipulation of asymmetrical interdependence in a nonmilitary ground could increase the risk of military counteraction despite its high cost. This situation was seen when the United States in 1940-41 exploited Japanese vulnerability to economic embargo, that lead to a counteraction by attacking Pearl Harbor and the Philippines by Japan. The dominance ranking column in table 3.1 indicates that power resources which are provided by military interdependence dominate those provided by nonmilitary vulnerability and asymmetries in sensitivity. It is clear that using more dominant form of power needs higher costs at the same time. It must be kept in mind, that relative to cost, there is no guarantee that a military option would be more effective compare to economic ones in achieving a given set of goal. The more remarkable are the benefits, the more possible to employ the type of power that ranks higher in both dominance and cost (Keohane & Nye 2012b).

Table 3.1. Asymmetrical Interdependence and its Uses

| Source of Interdependence | Dominance Ranking | Cost Ranking | Contemporary Use |
|--|-------------------|--------------|---|
| Military (costs of using military force) | 1 | 1 | Used in extreme situation or against weak foes when costs may be slight. |
| Nonmilitary vulnerability (costs of pursuing alternative policies) | 2 | 2 | Used when normative constraints are low, and international rules are not considered binding (including nonmilitary relations between adversaries, and situations of extremely high conflict between close partners and allies). |
| Nonmilitary sensitivity (cost of change under existing) | 3 | 3 | A power resource in the short run or when normative constraints are high and international rules are binding. Limited, since if high costs are imposed, disadvantaged actors may formulate new policies. |

Source: Power and Interdependence (Keohane and Nye 2012)

Moving from one source of power to a more effective but more costly, is most likely where there is a significant incongruity distribution of power sources in terms of vulnerability and sensitivity between actors. In this case, the disadvantaged actor's power position could elevate by changing the level at which the controversy is conducted. Considering an oil concession agreement, for example, a multinational energy company might have the upper hand in bargaining position than the host government. In this regard, the company could set the level of the production and the price, and make the government's revenue sensitive to company's decision. This situation should not seem stable for the company, since the government may be stronger on the vulnerability aspect. An attempt by the company to take advantage of its superior hand on the sensitivity dimension, despite its weakness at the vulnerability level, could lead to a response by state to alter concession agreement unilaterally (Keohane & Nye 2012b).

The same situation applies to international interdependence. The departure point in the political analysis of interdependence is asymmetry as a source of power among actors. This framework also applies to relations between transnational actors, states and interstate relations. Under

different constraints, various types of asymmetrical interdependence make room for potential political influence. Sensitivity interdependence can only have significant political influence; either the current rules or norms can be taken for granted, or it would be expensive for disadvantaged states to change their costly policies swiftly. Given a set of established rules, a dissatisfied actor is likely to change those rules or situations at a reasonable cost. However, favorable asymmetries in sensitivity have very limited influence compared to unfavorable asymmetries that derive from vulnerability. In the same vein, if a state feels threat at its economic vulnerabilities, it may either use military force or threaten to use it to redress that situation. In the meantime, using the military is very costly at the time to make a credible threat of force and that keeps military strategy as an act of desperation (Keohane & Nye 2012b).

As mentioned earlier, in the political bargaining process asymmetrical interdependence cannot predict the outcomes by itself. Power that is seen as actual or potential source is different from the power that measures in terms of its influence over outcomes. Vulnerability interdependence derives from potential power, but not necessarily actual power (Baldwin 1980). What has been argued so far means that a power resource, such as asymmetrical interdependence, is not sufficient to predict the actor's room of maneuver in success or failure over outcomes. However, it provides us with a better understanding and estimation of initial bargaining advantages that are available to both sides. When predictions, which are based on patterns of asymmetrical interdependence does not justify outcomes, the reasons should be found in the bargaining process that translates power resources into power over outcomes (Keohane & Nye 2012b).

3.2. Complex Interdependence

3.2.1. Realism and Complex Interdependence

Keohane and Nye believe that the Realist's political assumptions are often inadequate for analyzing the politics of interdependence, and just can be seen as an extreme set of conditions or *ideal type*. They have constructed, in opposite of realism, another ideal type that called '*Complex Interdependence*' that in some cases is a better tool to explain the reality.

Struggle for power is the essence of international politics for Realists. This vision is integral to three assumptions. First, in world politics states are the predominant actors and coherent units. Second, threatening force is the most powerful and effective instrument of policy. Third, there is a distinction in the hierarchy of issues in world politics which the ‘high politics’ of military security dominates the ‘low politics’ of economics and social affairs. These assumptions have created an ideal type of world politics for Realists. To them, world politics is characterized by active or potential conflicts, and states attempt to defend their territory and interests from real or perceived threats. Under these conditions, states survive only when they employ adept exercise of force or the threat of force; and the system would be stable only when the interests of states are adjusted in a well-functioning balance of power (Keohane & Nye 2012b).

On the contrary, having the characteristics of complex interdependence in mind, Realist assumptions can be challenged. Under complex interdependence situation, non-state actors participate alongside states in world politics. As a result, the traditional hierarchy of power does not exist anymore, and force is not an effective instrument of policy as before. Nonetheless, Keohane and Nye do not argue complex interdependence wholly provides a better portrayal of reality of world politics; and most cases will fall somewhere between these two extremes. Understanding the degree to which Realist or complex interdependence assumptions will be accurate or correspond to a situation, one should decide which explanatory model to apply (Keohane & Nye 2012b).

3.2.2. Characteristics of Complex Interdependence

Keohane and Nye believe complex interdependence has three main characteristics that are fairly approximated and come close to characterizing some issues regarding relationship between countries:

1. Multiple Channels: These channels include; informal relations between governmental elites in line with formal foreign offices arrangements, informal relations among non-state actors, and transnational organizations such as multinational banks or corporations. These channels can be categorized as interstate, trans-governmental and transnational relations. Interstate ties are the common channel in the Realist’s eyes; however, trans-governmental and transnational ties challenge the Realist assumptions about states as the only and coherent channel. Not only are

these actors important in pursuing their own interests, but also as transmission belts that make state's policies more sensitive towards one another. This is a sample of expansion of non-state actors' influence on domestic policies and decision making, which goes beyond national boundaries. Thus, foreign policy is more intertwined with domestic policies than ever in the past, and brings up other related areas of concern such as economic, energy, sustainable development and environmental issues (Keohane & Nye 2012b).

2. Absence of hierarchy among issues: Foreign affairs are a set of issues which states are concerned about in their relationships. These agendas have become more pluralistic, diverse and difficult to arrange in a concrete or consistent hierarchy. The high politics, such as military security, no longer fully dominate all other agendas. Many new issues have arose which used to be known as domestic issues, so the boundary between domestic and foreign policy has become blurred. These diverse issues are considered in several governmental departments and levels of power, and not just at the foreign office. Miscellaneous issues generate different groups of interest and degrees of conflict both within governments and across them. Multiple issues might threaten the interests of various domestic groups, but not necessarily the nation's interest as a whole. At the end of the day, formulating a coherent and consistent foreign policy on diverse issues and among different groups of interest bears significant cost for the country (Keohane & Nye 2012b).

3. Minor role of military force: For Realists', military force has been the dominant source of power in international politics. To them, survival is the main goal of all states and states with superior military power will prevail and thus, military power has always been a primary component of national power. Yet, the perceived margin of safety has widened among countries, so in general fears of attack have declined and being attacked by one another does not exist to a great extent. It endorses that when intense mutual interests shape the relationships between countries, actual or potential use of force is irrelevant or unimportant as an instrument of policy. Moreover, use of force has become an inappropriate way of achieving goals in important areas of concern such as in economic or strategic issues. Although use or threat of military force is not implausible over issues, in most cases the effects of military force are both costly and uncertain. At the present time, states use the threat of military force as a tool to deter attacks by others on itself or its allies. Thus, this deterrence aptitude plays an indirect and protective role that could be

used as a significant political influence and bargaining leverage over other country. In conflictual situations, however, the use of force is less likely compare to a century ago. Even, the nuclear weapons have mostly used as a means of deterrent than actual threat. Besides, using force in most cases has costly influence on non-security goals that might disrupt other relationships (Keohane & Nye 2012b).

The changing role of force, which has made matters more complex, raises the question of usability of force among issues. When an issue drives little interest or passion, use of force seems to be unthinkable. In this context, complex interdependence provides a more reliable tool for analyzing the political process. Notwithstanding, when an issue is a matter of life or death, the use or threat of force could become more plausible again; and Realist assumptions would have an upper hand (Keohane & Nye 2012b). However, Michalak believes that Keohane and Nye have misrepresented political Realism. He argues they excessively have expanded the scope and focus of the Realist assumption, while it mainly concerns the implications of territorial issues for the overall distribution of power. For example, even Hans Morgenthau, George Kennan and Henry Kissinger have always emphasized the limited capability of force as an instrument of diplomacy or as a predictor of outcomes in analyzing international conflicts (Michalak 1979).

3.2.3. The Political Process of Complex Interdependence

Considering the three above mentioned characteristics of complex interdependence, power resources could be translated into power as control over outcomes. Under these circumstances the predictions about outcomes will be different compared to Realist's conditions and need to be adjusted accordingly. In the Realist world, military security not only is the dominant goal of states, but affects issues that are not really relevant to military power or territorial defense. Furthermore, other non-military issues will be subordinated in the light of military ones, and would be considered for their politico-military influence. On the other hand, in the world of complex interdependence a variety of state's goals must be pursued. Under the lack of clear hierarchy of issues, goals might be different and not necessarily closely related. That makes finding a consistent pattern of policy, which brings all groups of interest under one umbrella, more difficult (Keohane & Nye 2012b).

3.2.4. Linkages Strategies

In traditional analysis, a similar political process applies to a variety of issues. Militarily and economically dominant states link their own interests and policies on some issues to weak states' policies on other issues. Thus, congruence between the overall structure of power and patterns of outcomes exists in all issue areas, while under complex interdependence situation such congruence is less likely to happen. Dominant states have found themselves less capable to control outcomes by using force on matters in which they are weak. Since the distribution of power resources is quite diverse among states, possible outcomes and distinctive political processes are expected to be different from one case to another. In the absence of clear linkages between power and outcomes and lack of a hierarchy of issues, success of dominant and powerful states would be more doubtful. Dominant states may try to secure their interests by using their leverages to influence outcome results; however, they are limited by other actors who resist to trade off their interests. Keohane and Nye, on the other hand, believe military weak states are not inhibited for linking unrelated issues, mostly as a result of their less complicated domestic interests. Moreover, unlike dominant states whose linking instruments are usually costly, like military force, the weak states instruments are less expensive and more available like international organizations. Accordingly, when, in general, linkages become less irrelevant, the outcomes of political bargaining would be more diverse and unpredictable in each case. Considering the complex interdependence view, the world politics is not a seamless web. Therefore, states will attempt to use asymmetrical interdependence as a source of power to influence the outcomes, and also international organizations and transnational actors and flows (Keohane & Nye 2012b).

3.2.5. Agenda Setting

The lack of clear hierarchy among multiple subjects as the second assumption of complex interdependence indicates the importance of agenda formation and control. To statesmen, actual or perceived threats, which could bring about shifts in the balance of power, will set the agendas. In international politics agenda formation happens when issues receive sustained attention by high ranking statesmen. Traditionally speaking, high politics of military and security affairs have been outstanced to the low politics of economic affairs. Though, by increasing the complexity of actors and issues in world politics, under conditions of complex interdependence, the politics of agenda formation becomes more subtle and differentiated. For instance, increasing power of oil

producing countries over international oil companies and consumer states during the early 1970's shifted the policy agenda of oil market dramatically. States whose interests are not met by the means of current agendas and international regimes may politicize issues by linking them to other issues, and dominant states would push for change. In the international level, states and non-state actors try to drive attention to issues in a way to maximize their interests over other actors by broadening or narrowing agendas (Keohane & Nye 2012b).

3.2.6. Multiple Channels

It is expected that under multiple channels of contact, outcomes of political bargaining would be influenced more by transnational relations than bilateral relations. The patterns of political coalitions are not just limited to domestic issues and national boundaries. These relations might either be used by independent actors or as a tool by states, and change the calculation of statesmen in manipulation of interdependence or following a coherent strategy of linkage. What statesmen must have in mind are the effects of interdependence strategies and their likely implication on politicization and agenda control. According to one of the accepted propositions about international politics, states act in direction of their own interests, while trans-governmental links lead to a different understanding. Under complex interdependence, the ambiguity and different perceptions of the national interest have made great challenges for top political leaders and it is harder to centralize decision-making. National interests could be defined based on the different issue area, time and by different governmental entities. The more coherent states are at synchronizing their national interests, the better they are at manipulating uneven interdependence than fragmented states with more resources in an issue area. So, negotiation with foreign states is more difficult when there are less domestic agreements about the components of or interpretation of national interest (Keohane & Nye 2012b).

Chapter 4

India, Iran's Nuclear Program, and the Nuclear Related Sanctions

4.1. Iran’s Nuclear Program

Iran joined the NPT in 1968. However, some intelligence reports (particularly American, Israeli and Europeans) have raised skepticism regarding the peaceful nature of Iran’s nuclear program. They believe that Iran has nuclear weapon ambitious or attempts to achieve dual-use technologies. To them, if Iran become a nuclear weapon state, it would have negative effects on the security structure of volatile region of the Middle East and economic and the security milieu around the globe (Mahapatra 2011). Iran has repeatedly asserted that its nuclear activity is for peaceful purposes and has been in complete compliance with its NPT responsibilities, which include declaring all its nuclear materials and allowing IAEA’s ‘watchdog’ to monitor its facilities. Iran argues that despite thousands of hours of inspections in Iran, there has been no evidence of military diversion, violation of NPT or weaponizing its nuclear program (Peterson 2010). Notwithstanding, the US accuses Iran for its non-transparent activities and unconvincing answers to clandestine efforts to enrich uranium (Mahapatra 2011).

To a great extent, international suspicions upon Iran’s real ambitions have been due to Iran’s behavior. First and foremost, Iran has periodically revealed enrichment facilities like Fordow just after Western media’s reports of existence of such facilities. Iran’s approach of dialogue and stalling had intensified the suspicions that Iran is only buying time. For instance, it took a long time for Iran to respond to international anxieties and proposals and later responded mostly with its own counter-proposals. The US establishment under Bush administration was reluctant to negotiate directly with Iran and outsourced the diplomatic efforts to the European Troika; Germany, France and Britain. When the EU3 efforts did not bear any fruits at the end of President Khatami’s terms, China, Russia, and the United States joined the EU3 in 2006 to engage in comprehensive talks with Iran under P5+1 (Permanent Five Plus 1 or EU3+3). Meanwhile, the Bush administration drafted a dual policy of encouragement by offering incentives (carrots) and intimidation by keeping the military options open (stick) during the negotiations. However, the Obama administration stood up for dialogue and diplomacy at the first place. Obama believed to give diplomacy enough chance and avoid the language of gunboat diplomacy. But like his predecessor, he has always emphasized that all the options are on the table (Mahapatra 2011). He started a campaign to impose crippling unilateral and multilateral sanctions on Iran besides the UN Security Council sanctions. Election of President Rouhani

improved the prospect for a nuclear settlement and his government exhibited serious intention to have a deal with the P5+1. Therefore, following three rounds of negotiations Iran and P5+1 reached a six months interim accord on November 24th 2013 (Katzman 2014b).

4.2. India’s Vote at IAEA

Iran’s nuclear program has not only been a concern for the P5+1 states, but has extended dimensions that has touched the overall relations between New Delhi and Tehran. India’s first vote against Iran’s nuclear program was a resolution that was sponsored by EU3 at the IAEA Board of Governor in September 2005. Tehran raised eyebrow to that vote and found it in contrast to traditional amicable ties between Iran and India (Koolae & Kalesar 2011). India’s Foreign Ministry spokesperson tried to clarify those doubts by arguing that “In our explanation of [the] vote, we clearly expressed our opposition to Iran being declared as non-compliant with its safeguards agreements. Nor do we agree that the current situation could constitute a threat to international peace and security” (Pattnaik 2011, p. 27). He added further “Nevertheless, the resolution does not refer the matter to the Security Council and has agreed that outstanding issues be dealt with under the aegis of the IAEA itself. This is in line with our position and therefore, we have extended our support for it” (Pattnaik 2011, p. 27). Showing India’s interest in achieving a breakthrough in Iran’s talk, the spokesperson said that “It should also be borne in mind that India has all along been supportive of the EU3 initiative to negotiate a fair and reasonable understanding with Iran on this issue. Our support to the resolution should also be seen against this background” (Pattnaik 2011, p. 27).

India’s vote along with other twenty seven member states at the IAEA Board meeting to refer Iran’s file to the UNSC in February 2006 was a surprise to Tehran. Immediately the Foreign Ministry spokesperson tried to clarifying India’s stand by saying that it “should not be interpreted as in any way detracting from the traditionally close and friendly relations we enjoy with [Iran]. It is our conviction that our active role, along with other friendly countries, enabled the tabling of a resolution that recognizes the right of Iran to peaceful uses of nuclear energy for its development, consistent with its international commitments and obligations, while keeping the door open for further dialogue aimed at resolving the outstanding issues within the purview of the IAEA” (Pattnaik 2011, p. 31). In a visit to Tehran in February 2007, Pranab Mukherjee,

then Minister of Foreign Affairs, tried to blow a fresh impetus to Indo-Iran relations. He affirmed that the two countries are enjoying centuries of friendly relations. In his visit to New Delhi in 2008, President Ahmadinejad also raised his discomfort about India’s vote against Iran by saying that each one vote has its own impact, but our bilateral relation is deeper than a vote. New Delhi, along with twenty five states, voted in November 2006 for the third time for a resolution at IAEA to send Iran’s nuclear dossier to the UNSC. However, India again reiterated its former stand that it prefers Iran’s issue to be solved through dialogue at the IAEA Meets. These votes and withdrawing from bilateral energy cooperation hampered Indo-Iran relations, and Tehran outlined that Washington’s pressure on New Delhi had indeed played a pivotal role. Yet, both countries knew that they should not let their current divergences overcome mutual strategic and long-term interests in an era of interdependence for shared benefits irrespective of differences (Pattnaik 2011).

New Delhi asserts that Iran’s nuclear program should be accommodated in a regional security framework and in line with Iran, Arab states and Israel concerns. Albeit New Delhi’s votes against Tehran at the IAEA’s Board of Governor, it has always adopted an anti-sanction stance. India has not found Western argument of bringing Iran to its knee by increasing sanctions compelling enough, and believes that keeping the threat of force on the cards cannot help to solve Iran’s nuclear file. In contrast, New Delhi believes that sanctions will hurt the Iranian people the most and a threat of using military force would only encourage Iran to weaponize its nuclear program as means of deterrent capability. To India, Iran should be committed to its obligations under the NPT, IAEA and UNSC guidelines, and address the anxieties and questions that have risen about its nuclear program (Cheema 2011).

4.2.1. Why India Voted Against Iran at the IAEA Board of Governor

It is unacceptable for India to have another proliferator in its neighborhood. Of course, New Delhi and Washington disagree on how to best implement nonproliferation objectives with respect to Iran (CFR 2011). Indian governments have repeatedly emphasized Iran’s right to possess peaceful nuclear technology for civilian purposes, within the frame of rights and obligations of NPT (Alam 2011). New Delhi’s decision to vote for resolutions against Iran was not a surprise to many, because of the growing Indo-US ties (Chansoria 2011). The three consecutive votes against Iran were in line with pragmatic national considerations (Alam 2011).

India’s two votes in 2005 and 2006 were coincided with strategic talks between New Delhi and Washington for a comprehensive Civil Nuclear Deal. Signing that agreement would lift US sanctions after a decade, and pave the way for imports of dual-technology and American weaponry system to India (Sajjadpour & Pahlevani 2013). In this context, India secured and operationalized the Indo-US agreement to put an end to India’s nuclear isolation and standoff. New Delhi also showed its attentiveness with Arab monarchy states of the Persian Gulf and Israeli concerns, which have serious misgiving about Iran’s nuclear goals. Finally, India has no interest to have another nuclear power state in its neighborhood (Alam 2011). In addition, voting against Iran in 2009, India deduced that "Iran's failure to notify the Agency of the existence of this facility [Fordow] until September 2009...was inconsistent with its obligations under the Subsidiary Arrangements to its Safeguards Agreement and that Iran’s late declaration of the new facility reduces confidence in the absence of other nuclear facilities under construction in Iran which have not been declared to the Agency" (Rediff 2009). New Delhi explicitly voiced a message to the West, particularly the US, stating that India is an authentic and committed partner with leading powers of the world when it comes to non-proliferation (Sajjadpour & Pahlevani 2013).

In light of the previous discussion, India’s vote seems to be a measured one that attempts to balance New Delhi’s diplomacy between Iran and West, particularly the US. Although India’s negative votes were due to the tremendous American pressure, it also reveals Iran’s miscalculation of India’s political system and false expectations. Understating the common cultural heritage and good will that exist for Iran in the Indian public eyes and vice versa, can partly explain why New Delhi’s adversary action has voiced with emotional codes in both countries (Alam 2011). In India, the Communist party and other leftist parties, whose coalition was important for Prime Minister Singh for a parliamentary majority, claimed that the government had abandoned its foreign policy autonomy and serving Washington’s interests. The opposition parties’ furies were augmented when US ambassador to India in January 2006 overtly associated New Delhi’s vote against Tehran to the Indo-US nuclear deal (Mousavi 2011). Of course, this issue reveals that India and Iran have not established a strategic partnership despite their long shared history of friendship and political exchanges (Alam 2011).

4.3. Nuclear Related Sanctions

During the sequential rounds of nuclear talks with Iran, the idea that Iran might not actually aimed at weaponizing its nuclear program but moves toward the nuclear threshold, was raised among policymakers in Washington. In the given situation, Iran could have all the benefits being known as a nuclear weapon capable state, with little expense to pay if weapons were made. This scenario also was not acceptable to Washington and the West, and was considered substantially in contrast to American national interests. Regarding Washington’s policy to prevent Iran moving towards the threshold and despite Obama’s commitment to give diplomacy a chance, he found himself determined to constrain and contain Iran’s alleged nuclear ambitions (Mahapatra 2011). The Obama administration drafted a two way track strategy; consisting of economic pressure through sanctions while continuing nuclear talks, and sanctions would be lifted in reciprocate for an agreement (Katzman 2014b). Large American firms do not have very high interests in Iran since 1979 Islamic Revolution, so it was quite facile for US legislators to tighten imposed sanctions on Iran. The US government in accord with its European allies was successful to pass international sanctions at UNSC beside their own strict unilateral and multilateral embargoes on Iran (Mahapatra 2011).

4.3.1. US Sanctions

Sanctions have been a significant feature of US policy towards Iran after the Islamic Revolution in 1979. Yet, the UN and recent complicated sanctions on Iran have been put in place since 2006. Many of the US sanctions are aimed at reinforcing the UN and multilateral sanctions, which have been implemented in the recent years by other countries. The US establishment expected that these sanctions persuade or compel Iran to curb and clarify the scope of its nuclear program. The International community has cooperated closely with the US to pursue that goal (Katzman 2014a).

The US government under the Clinton administration introduced the Iran Sanctions Act (ISA) to tighten US sanctions on Iran, originally called the Iran-Libya Sanctions Act (ILSA). On May 6th, 1995, President Clinton issued Executive Order 12959 to limit US firms to trade and invest in Iran (Katzman 2007). The aim of these sanctions was to curb Iran’s energy sector to contain alleged strategic threat from Tehran. Petroleum sector generates around 20% of Iran’s GDP, 80%

of its foreign exchange earnings and 50% of the governmental revenue. Iran’s energy sector is aging and needs substantial investment for modernization (Katzman 2014a). According to ISA, entities and persons who make an investment more than \$20 million in Iran’s energy sector in one year would be sanctioned (Kronstadt 2011). The ILSA was later retitled to ISA when terminated due to Libya in 2006. The investment in ISA enfolded “not only equity and royalty arrangements but any contract that includes responsibility for the development of petroleum resources of Iran. The definition includes additions to existing investment and pipelines to or through Iran and contracts to lead the construction, upgrading or expansions of energy projects added by the Comprehensive Iran Sanctions, Accountability and Divestment Act (CISADA) of 2010” (Katzman 2014a, p. 10). On top of that the National Defense Authorization Act (NDAA) in 2012 and the Iran Freedom and Counter-Proliferation Act (IFCA) of 2012 has enclosed a list of foreign financial entities that are subjected to sanctions according to these laws and order (Katzman 2014a). The sanctionable items of ISA, CISADA and IFCA which are related to Iran’s energy sector are as follows (Katzman 2014a):

- Iran is dependent on imports for 40% of its gasoline needs. Thus, according to these acts, sale of gasoline and related aviation and other fuels to Iran, which are valued over \$1million or \$5 million in a one year period, are banned.
- Sanctions on transactions regarding purchase of Iran’s crude oil like transporting. However, this sanction does not concern countries that have received exemptions.
- Providing underwriting services, insurance or reinsurance activates that are related to shipping oil, gasoline or other goods for the energy, shipping or shipbuilding sectors in Iran.
- Banks and other financial institutions that provide capital or services for energy investment, refining and gasoline procurement activities.

In 2011, some legislators arrived to the belief that a mechanism is needed to cut off Iran’s access to hard currencies that are used to pay for oil price. The idea was that Iran’s Central Bank helps other Iranian banks to circumvent the UN and US banking pressure. Given this order, foreign banks that deal with Iran’s Central Bank would be sanctioned. Albeit “foreign banks can be granted an exemption from sanctions if the President certifies that the parent country of the bank

has significantly reduced its purchases of oil from Iran. That determination is to be reviewed every 180 days, therefore countries must continue to reduce their oil buys from Iran- relative to the previous 180-day period- to retain the exemption” (Katzman 2014a, p. 21).

According to EIA reports in 2012, the Obama administration concludes that there was an adequate supply of oil worldwide and it is possible for countries to reduce their oil purchased from Iran. An exemption being considered for those countries that have significant reduction of 18% in their purchased oil based on total price paid and not just the volume. The US administration has offered exemptions several times to some countries that had reduced their oil purchased about 20% in each case, consisting of: India, South Korea, Turkey, Malaysia, South Africa, Sri Lanka and Taiwan. Moreover, money which owed to Iran regarding the oil purchases, should be kept in an account in the country, and compel Tehran to buy the products of the oil customer countries. It is important to mention that the EU embargoes on purchase of Iranian oil by July 2012 (Katzman 2014a).

4.3.2. UN Sanctions

The United Nations Security Council has subsequently imposed several rounds of sanctions on Iran to encourage and compel Tehran to change its policies and calculations toward a compromise. The main Resolutions that have addressed Iran’s nuclear program and issues related to that are as below:

- Resolution 1696. On July 31, 2006, the UNSC asked Iran to “fulfill the long-standing IAEA nuclear demand to suspend enrichment suspension, suspend construction of the heavy-water reactor and ratify the Additional Protocol to Iran’s IAEA Safeguards Agreement” (UNSC1696 2006, p. 3). This Resolution passed under Article 40 of the UN Charter, which makes compliance mandatory.
- Resolution 1737. This Resolution adopted under Chapter 7, Article 41 of the UN Charter on December 23, 2006, after Iran refused to suspend temporary enrichment. It asked Iran to suspend its enrichment and prohibited sale or financing such sales of technology that could be used in Iran’s nuclear program. According to this Resolution, the UN member states should freeze the financial

assets of Iranian nuclear and missile firms and related persons in their own country. Yet, the Resolution exempted the Bushehr reactor to deference Russia (UNSC1737 2006).

- Resolution 1747. After three weeks of P5+1 talks with Iran and no Iranian compliance, this Resolution adopted on March 24, 2007. This Resolution added some new entities which were sanctioned by Resolution 1737, banned arms transfers by Iran and called (but did not require) UN members to avoid selling arms or dual use items to Iran. In addition, Resolution 1747 asked countries and international financial institutes to avoid offering any new lending or grants to Iran (UNSC1747 2007).
- Resolution 1803. It was adopted on March 3, 2008, considering with no Iranian compliance forthcoming. This Resolution added 12 more entities to former sanctioned, virtually forbidding all sales of dual use items to Iran, in case of suspected shipments, which containing banned WMD-related items, countries are authorized to inspect shipments by Iran Air Cargo and Islamic Republic of Iran Shipping Line. However, the Resolution encouraged the P5+1 to consider additional incentives (UNSC1803 2008). It has been revealed later that the P5+1 offered some political and enhanced energy cooperation to Iran (Katzman 2014b).
- Resolution 1835. Given the crisis between Russian and Georgia in 2008, Russia was opposed to new UN sanctions on Iran (Katzman 2014b). Although, the UNSC adopted a Resolution on September 27, 2008, and demanded Iran to compliance with the existing Resolutions but did not add new sanctions (UNSC1835 2008).
- Resolution 1929. This Resolution, adopted on June 9th, 2010, has been the strictest Resolution concerning Iran’s nuclear program. It prohibited Iran from exploring uranium mining and related nuclear technologies or nuclear capable ballistic missile technology. Iran was even prohibited to launch ballistic missiles in its own territory. Member states are mandated not to export major combat systems to Iran. The Resolution called for vigilance (a nonbinding call to cut off business) with all Iranian banks, especially Bank Melli and Bank Saderat. It also called for vigilance

to provide Iran with international lending and provide trade credits and other financial interactions. The Resolution called all member states to inspect cargoes, which are banned to ship to Iran, by Iran Air Cargo and Islamic Republic of Iran Shipping Lines or any ship in national or international waters (UNSC1929 2010). Finally, “a sanctions committee, composed of the 15 members of the Security Council, monitors implementation of all Iran sanctions and collects and disseminates information on Iranian violations and other entities involved in banned activities. A seven-member panel of experts is empowered (renewable each year) to report on sanctions violations and make recommendations for improved enforcement. The panel’s reports are not officially published by the Sanctions Committee but are usually carried by various websites. Resolution 2015, adopted June 5, 2013, extended the mandate of the Panel of Experts until July 9, 2014” (Katzman 2014b, p. 32).

4.4. India’s Compliance with the Sanctions

Despite New Delhi’s desire to balance its bilateral relations with Iran and the US, the effects of sanctions on Indo-Iranian ties are quite clear (Pant 2013). India has implemented international sanctions on Iran, despite its cultural, economic and historic ties beside India’s strategic needs to have a good relationship with Tehran. However, New Delhi has been hesitant to adopt all the US and EU sanctions outside the UN sanctions. In 2008 Iran had provided 16% of the total Indian oil consumption. However, in accordance with the US sanctions by the end of 2012, India gradually reduced its imported oil from Iran by volume to 10% of India’s total oil imports. Notwithstanding the significant investment, which was necessary to switch over refineries that handle Iranian crude, India reduced its oil imports from Iran to 6% by mid-2013. India’s cuts were as steep as had pledged to the US expectations. Secretary of State, John Kerry, during a visit to New Delhi in June 2013, called India’s cut in imports of Iranian oil an ‘important step’ on keeping economic pressure on Tehran over its nuclear program, and as a result India has remained an exemption from Section 1245 sanctions (Katzman 2014a). New Delhi might have considered this cooperation as a way to reinforce US support for a permanent seat on the UNSC

(Kronstadt 2011). Of course, New Delhi understands that any significant step to reduce its presence in Iran’s hydrocarbon market will facilitate the greater Chinese influence on Iran’s energy sector (Pant 2013).

Furthermore, the EU sanctions also made it more difficult for Indian companies to purchase Iranian oil. According to the EU sanctions rules, European companies are banned to provide insurance for tankers that carry Iranian hydrocarbon resources anywhere in the world; while nearly all tanker insurance companies have Western based ownership. In the given situation, Indian shipping companies were obliged to rely on state insurance, which only covers tankers for \$50 million while European companies typically offer \$1 billion in coverage. Even the Shipping Corporation of India, which is the biggest domestic tanker owner, refused to provide vessels to the Indian Oil Corporation to carry Iranian oil. This has greatly increased the risk of transportation of Iranian crude. But when the US pressures extended to financial institutions in Iran, payments for Iranian oil exports became even more complicated. In November 2011 the White House issued an executive order to authorize the US secretary of state to impose sanctions on entities who fail to curb support of the Iranian market according to US terms. The order overtly aimed to put pressure on countries such as India to alleviate imports from Iran in order to weaken Iran’s economy (Pant 2013).

Late 2010, the Reserve Bank of India ceased using a Tehran based regional body, the Asian Clearing Union (ACU), to settle energy trade transactions with Iran. By February 2011, two countries agreed to clear the payments in Euros through an Iranian bank (Europäische-Iranische Handelsbank) with German accounts. But in May they turned to Halkbank in Turkey when the EU scrutiny jeopardized transactions through EIH. In January 2012, the enactment of the US order to sanction Iran’s Central Bank, forced the Halkbank to withdraw from the arrangement. Iran agreed to accept Rupee (India’s local currency) for compensating 45% of its sales to India. This local account was supposed to be used for funding wheat, pharmaceuticals, rice, sugar, soybeans, auto parts and other products which are imported from India. Yet, regarding the huge trade imbalance on favor of Iran due to the value of Iran’s crude exports to India and exports that India sells to Iran, this system has been insufficient to meet the payments. It is estimated that \$4.8 billion impasse may lead to a full settlement (Katzman 2014a; Kronstadt 2011).

In New Delhi calculus these steps are confidence building measures for US concerns over its reliability as a partner regarding Iran’s nuclear ambitions (Pant 2013). Historically speaking, analysts in Tehran believe that India has succumbed to US policies whenever Washington’s pressure augmented, like withdrawing from the IPI project as well as the 2005 LNG deal (Dadwal 2011). Despite implementing US sanctions, the Indian Foreign Ministry spokesperson declared that “India is willing to abide by any multilateral sanctions authorized by the UN but does not feel legally obligated to comply with unilateral sanctions that undermine Indian commercial interests” (Pant 2013, p. 14). Of course, the situation is more complicated than this, knowing that some unilateral sanctions limit the foreign entities’ access to the US market and financial system in case of business with Iran. So, the choice is to do trade with Iran or the US. The bulk of India’s trade with the US makes it impossible for New Delhi to ignore the US sanctions, particularly remembering the US position as a key trading and investment partner with India (Pant 2013). However, India’s energy demand for economic growth and the interim deal between the P5+1 and Iran could weaken New Delhi and Washington’s cooperation on sanctions. In mid-August 2013, India’s finance Minister showed New Delhi’s interest to increase crude imports from Iran (h.38). According to Reuters, in February 2014, oil imports by Iran’s top four clients- China, India, Japan and South Korea- increased to 1.16 million bpd compare to 994,669 bpd in January. India imported 304,286 bpd of crude in February and 412, 000 bpd in January 2014, while it is more than what India was expected to import from Iran (260,000 bpd) to comply with US sanctions (Reuters 2014). Another benefit for Indian refineries to buy Iranian crude is that they can pay partly with Rupees and it helps India to save its supply of dollars when the value of its currency has been weakening (Katzman 2014a).

Chapter 5

Indo-Iran Relations

5.1. Centuries of Long History

India and Iran have enjoyed strong ties since the pre-Aryan and Vedic civilizations to Persia era and Mughal dynasty. These historical relations between Iran and Indian Subcontinent have been profound, particularly in the realm of culture, economy and politics. The heritage of over a millennium of relationship can be seen in architecture, art, colloquial, official language and culture on both sides (Barkeshli 2011).

After India's independence, New Delhi and Tehran entered a new era of bilateral relations on March 15, 1950 by signing a 'perpetual peace and friendship' treaty. Subsequently, Shah of Iran visited India in February/March of 1956, which was later reciprocated by Jawaharlal Nehru's visit to Iran in September 1959 (Behuria 2011). By joining the Baghdad Pact (CENTO) in 1960s and 1970s, Iran made its ties stronger to the United States and Pakistan. Thus, during wars between India and Pakistan in 1965 and 1971, Shah provided military assistance to its strategic depth, Pakistan (Mousavi 2011). However, it was not an impediment to Indira Gandhi and Moraji Desai to visit Iran in April 1974 and June 1977, respectively. In response, the Shah visited India in February 1978 (Behuria 2011). The Islamic Revolution in 1979, though, paved the way for Iran to leave the Western influence domain. India warmly welcomed Iran's 1979 Revolution as a turning point for further engagements. Later, Iran's joining to Non-Alignment Movement, where India was a leading power, brought the two states much closer together. Both countries were inclined to keep the good relations despite their differences. For example, Iran was seriously critical to the Soviet invasion of Afghanistan, while India, under Prime Minister Indira Gandhi, avoided any public condemnation. In the same fashion, during the Iran-Iraq war (1981-1988), India protected its oil interest in both countries at the same time (Mousavi 2011).

The end of the Cold War was a new chapter in the Indo-Iran relations to broaden the mutual economic and military interests. Signing the Tehran Declaration (2001) and New Delhi Declaration (2003), the two countries laid the foundations for a strategic partnership and cooperation (Mousavi 2011). The rising of Taliban, the presence of Al Qaeda in Afghanistan and the fear of turning Afghanistan into a haven of instability near the borders of Iran and India had brought the two countries closer to one another in early 1990s. In addition, the economic liberalization in 1990's, which led to a dramatic economic growth, made it necessary for India to

look for new energy resources all around the globe. Thus, Iran with its gigantic hydrocarbon resources had received the attention of New Delhi as a reliable source of energy (Behuria 2011). Nonetheless, the shared interests and civilizational affinities have not yet evolved into a political and strategic partnership, but energy and regional cooperation have kept India and Iran interested in each other (Alam 2011, p. 2).

5.2. Geopolitical, Regional and security Dimensions

5.2.1. India's Interests in the Middle East through the prism of Iran

India has adopted a more clear-eyed policy towards the Middle East. India's economy is clearly linked to the economy of the Middle East and the Persian Gulf states, and in order to achieve its global aspirations it needs the support, goodwill and recognition of these two regions (Alam 2011). To safeguard its interests, particularly energy demands, India needs to strengthen the relations with the countries in this region. Yet, India has a difficult job in balancing and establishing the bilateral relations, in view of the existing hostility in the Middle East (Cheema 2011). New Delhi has clearly realized Iran's expanded influence in the region. By all accounts, Iran's power has enhanced significantly in the Middle East, following the US invasion of Afghanistan and Iraq in 2001 and 2003, respectively. It is difficult to ignore the weight and role of Iran in any equations in the Middle East, where India has a vital economic stake (Alam 2011). Iran could safeguard India's interests and play a strategic role in advancing India's influence in energy-rich Iraq. Being a Shia regime since the Islamic Revolution in 1979, Iran has invested political capital in Afghanistan, Iraq, Syria and Lebanon. This centrality of political Shia has given Iran the capacity to expand its sphere of influence in an area stretching from Hindu Kush mountain ranges in Afghanistan to the Lebanon's Mediterranean coast. New Delhi might have no choice but to invest more political capital to develop its relationship with Tehran (Aneja 2011).

India would have a more difficult time in balancing and keeping its strategic relations with Iran and Israel. Although Iran has been generally reluctantly indifferent towards Indo-Israel relationship, Israel has been concerned over New Delhi-Tehran entente. Israel is one of the main India's military suppliers, as an outcome of improved Indo-US ties. Besides military

cooperation, both countries have close cooperation in areas of agriculture, science, technology and counterterrorism. In January 2008, India put an Israeli-made spy satellite into the orbit. The satellite is supposed to help India monitor militant movements on its border with Pakistan and also within its territory (Cheema 2011). A controversy was stirred when Jerusalem Post wrote that this satellite will enable Israel to secure intelligence about Iran's nuclear program with more detailed images. Iran voiced its displeasure by reminding India to consider the political dimensions of the deal (Koshy 2008). Given India's attempt to keep its strategic autonomy in its bilateral relations, such event has a potential to involve India in the crossfire between Tehran and Tel Aviv. Furthermore, belligerent rhetoric in the recent years between Iran and Israel has put India in a bind. Ahmadinejad's comments on the destruction of Israel and denials of the Holocaust, and on the other hand Israeli threats to strike Iran's nuclear facilities, have raised the New Delhi's concerns about taking no sides. By placing the national interests at the core of its strategic calculus, India should try to keep a balance between these two regional adversaries (Cheema 2011). Yet, Indo-Israeli cooperation seems to have little effect on the policymakers in New Delhi. For instance, in spite of building a confidence with Tel Aviv, New Delhi has kept its relationship with pro-Palestinian groups in the Middle East, to avoid provoking Islamic states on the issue of Kashmir (Pant 2013).

5.2.2. Afghanistan, Taliban, Al Qaeda and Terrorism

Iran and India's cooperation in Afghanistan goes back to the Taliban period when both countries had been great advocates of Northern Alliance between 1996 and 2001. Tehran has supported the ethnic Shiite Hazaras and New Delhi backed the ethnic Uzbek and Tajik warlords against the Pashtun Taliban (Mousavi 2011). Afghanistan is an important security concern for Tehran and New Delhi, and they would do their best to prevent Afghanistan from becoming a Pakistani proxy state close to their borders and a haven to export terror (Kahn 2010). Albeit India and Iran have come to a mutual understanding on Taliban and committed to Afghan reconstruction, they have not been able so far to enjoy a full scale cooperation on the Afghan issue (Chandra 2011).

Iran and India not only have diverse regional security priorities about Afghanistan, they do not share the same idea about the key sources of trouble in Afghanistan. Iran's main security concern is the expanded presence of the US in the region, and insists on the full withdrawal of the US forces from the Afghan soil. Thus, Iran's policy towards Afghanistan associated to a great extent

to its relations with the US (Chandra 2011). This clearly explains Iran's opposition to any long-term American ties with Afghanistan, such as US-Afghanistan Strategic Partnership Agreement (Rubin 2012). However, the India's primary concerns are the prospect of resurging Taliban making a comeback to Afghanistan, and the continuity and engagement of West in the war on terror. India regards the role and policies of Pakistan as the main destabilizing element in Afghanistan, while for Iran there could be no stability in the region before the Americans' withdrawal (Chandra 2011). Though, Iran and India have to deal with the post-2014-withdrawal challenges in Afghanistan, and this might draw both countries' policy closer.

Iran's importance for India is apparent when it comes to Afghanistan; while there are not enough evidences where India is located in the Iran's Afghanistan policy, and whether India is included in Iran's regional security calculus after 2014. Likewise, it is not known to what extent Iran is inclined or indisposed to the Pakistani perception and policy toward Afghanistan. Iran has not officially taken a position over Pakistani's direct support for the Afghan Taliban and the presence of Al Qaeda in its tribal area. However, what brings Iran and India to the Afghan table is the fear of the growing influence of Wahabi-Salafi Islamic extremism in the region. Thus, at best Indo-Iranian cooperation in Afghanistan would be tactical, not strategic or ideological. India has always expected to hear Tehran's condemnation for Pakistan's sponsorship of Islamist extremism inside Afghanistan, while Iran has been opposed to the Taliban and Al Qaeda. For instance, in reaction to Mumbai 2008 terrorist attack former Iranian President, Mahmoud Ahmadinejad, said "the ugly phenomenon of terrorism has its root in an unfair international order and occupationist and disuniting policies" (Alam 2011, p. 11). The same standpoint was taken by Mauchehr Mottaki, then Foreign Minister, that "certain extra-regional powers are carrying out activities that cause instability in South Asia. They have organized plans that lead to extremism" (Alam 2011, p. 12). India believes that Iran should clearly condemn any anti-Indian Islamist terrorist activity by extremist groups (Ahmadi 2011).

Regarding the mutual cooperation in the reconstruction of Afghanistan, a trilateral agreement between Iran-Afghanistan-India was signed in 2003. In compliance with this agreement, India built about 200 kilometers road between Zaranj and Delaram to connect Afghanistan to the Iranian border and to the port of Chababahr in Iran. It is also notable that much of the Indian cargo for Afghanistan is shipped and transferred via the Bandar Abbas Port in Iran (Chandra

2011). As a result, New Delhi needs to maintain its good relations with Tehran in order to secure and ease its access to Afghanistan (Mousavi 2011).

Nevertheless, ISAF 2014 withdrawal should not be misconstrued as the end of the Western influence and presence in the region. The West has not invested billions of dollars and lost thousands of casualties to leave Afghanistan alone with Taliban and Al Qaeda. In times to come, they will likely keep their presence and influence in the region, with or without troops on the ground. Yet, even if the NATO and particularly the US pull out of Afghanistan, the region is neither prepared nor expected to be ready, for the post withdrawal scenario. Countries with an opposing stance to the Western presence in Afghanistan have not realized that, they have no effective regional strategies and a consensus road map on how to tackle the menace of Islamist extremism after 2014 withdrawal. So, in the absence of such a grand strategy, the presence of extra-regional powers is inevitable to survive. However, it is difficult to predict which direction this presence will head towards in years to come, since the US strategy for Afghanistan and Pakistan seems to be going nowhere (Chandra 2011).

All in all, India and Iran have enough mutual interests to cooperate on the Afghan issue. The war in Afghanistan is a war on terror and the region will have to confront the legacy of extremist ideologies for decades to come. There is no military solution to the war of ideas in the long term. Therefore, India and Iran, with their solid state institutions and great civilizational heritage, can play a significant role in empowering the Afghan state-building process. Besides, both countries have the capacity to provide assistance to Afghanistan to develop its infrastructure and economy and boost its security. When it comes to Taliban resurgence, India and Iran seems to be on the same page. They should work together to achieve a robust and durable strategy to deal with the security concerns for decades to come. If they can be successful on the Afghan issue, then they can cooperate on a wider south-central Asian security and beyond. At the political level, Iran and India can play an active role in national reconciliation by persuading different Afghan factions to work with the administration in Kabul. To Indian, the withdrawal of Western forces at this point would be just a great opportunity for Pakistan, and despite different perception of Pakistan's role, New Delhi and Tehran need to work closely for the sake of their own security (Chandra 2011).

5.2.3. Central Asia; Trade, Stability and Security

Holding the Iranian national security, Central Asia has been of a great importance for Tehran. However, given the New Delhi's aspiration to be a supra-regional power, Central Asia has a particular importance for India to consolidate its strategic interest in the region. Central Asia is part of India's extended security appraisal, since New Delhi can influence over Pakistani security backyard and further assists to the stability in Afghanistan (Mousavi 2011). In addition, with an accelerating economic growth, New Delhi perceives Iran and Central Asian countries as potential big markets for Indian products and manpower (Cheema 2011). The discovery of gigantic oil and natural gas deposits in Central Asia could also secure India's access to reliable sources of energy (Mousavi 2011). The Central Asian hydrocarbon reserves are vital for New Delhi's effort to diversify its energy alternatives in order to meet its growing energy demands. Iran with its unique geostrategic position could play an important role to ease the India's access to landlocked Central Asia and Afghanistan (Cheema 2011).

Indo-Iran cooperation in the construction of railroad and development of Chabahar port in Iran, are two options that facilitate India's accessibility to Afghanistan and Central Asia. This railroad could sidestep Pakistan's dominance and leverage over these landlocked states and also provide Central Asian countries with an alternative way to the Indian Ocean (Mousavi 2011). This route as part of North-South Transportation Corridor Agreement, which was signed in September 2000, could promote and facilitate the India's trade with Europe as well. Indian goods would transport from the Chabahr port across the Arabian Sea, and would ferry via the Iranian internal railroad to the Caspian Sea and finally ship onward to northern European ports through the Volga River. Of course, this magnitude initiative needs adequate investment and years of sustained efforts to be realized as an actual project (Cheema 2011).

5.2.4. Pakistani Factor

Iran has always been challenged and endangered from its eastern borders by terrorist activities and narcotic smugglers who come from Pakistan and Afghanistan (Mousavi 2011). The last attack on Iran's interest just happened on February 24 outside the Iranian consulate in Peshawar in northwest Pakistan, when a suicide bomber blew himself up and killed two security guards and injured dozens. The security issues and insurgency activities in Sistan-Baluchistan province,

which neighbors Baluchistan's Pakistan, have been the main concern for the Iranian establishment. Two weeks earlier, in response to kidnapping five Iranian border guards on February 8 by a terrorist group, Jaish al-Adl; Iranian Interior Minister, Abdolreza Rahimi Fazli, threatened to send troops to Pakistan (Aman 2014). Despite, having a good relationship with the neighboring Pakistan, which has been a priority for Iran, if Pakistan fails to secure its border with Iran it would increase tension between them (Mousavi 2011). In addition, recently Iran's Oil Minister, Bijan Namdar Zangeneh, has said that Iran is likely to drop Pakistan gas pipeline project. This is due to little progress made on the Pakistan's side, while Iran had completed the pipeline to the Pakistani border (Kenare 2014).

In the light of the present normal problematic relations between Iran and Pakistan, New Delhi could take the advantage of the situation to increase the mutual bonds and understanding with Tehran (Mousavi 2011). Yet, this is not the first time that Pakistan brings India and Iran closer together. In 1990's, during the rising of Taliban in Afghanistan, Iran and Pakistan's relation started deteriorating. This helped New Delhi to strengthen its bonds with Tehran via supporting the Northern Alliance against Taliban and intelligence sharing (Alam 2011). New Delhi believes that Pakistan has provided support and safe haven to terrorists group in its territory to counter balance the India's influence in the region and deepen its own strategic depth in Afghanistan. Pakistan lost its political leverage in Afghanistan after the fall of the Taliban regime and is interested to reverse the situation back in the post-withdrawal scenario. What New Delhi wants in Afghanistan, besides its economic interests, is a non-extremist establishment in Kabul to curb Pakistan's influence in the region. Accordingly Iran, as an important ally, could help India to ensure that it would not be alone in the event of 2014 withdrawal (Cheema 2011). However, Pakistan is not likely to live with a strong Afghanistan until it makes a grand bargain with the West, which is expected to be at the expense of other regional states (Chandra 2011).

Thus, Pakistan's role in sponsoring the terrorism not only destabilizes the country internally as a hub of terrorist groups, but also will have repercussion on the stability of the region and the world. New Delhi believes putting pressure on Islamabad is a way to dismantle the terrorism infrastructure in Pakistan that is currently being used as a tool of foreign policy. Finally, an unstable Pakistan is not in India's interest, whereas a stable region would serve the best India's economic growth (Alam 2011).

5.3. Indo-Iran Defense Cooperation

In 1998, and after the end of Iran-Iraq war, Iran decided to rebuild its conventional arsenal and purchased tanks, combat aircrafts and ships from Russia and China. In 1993 Iran asked India for help to develop batteries for the three Kilo-class Russian made submarines. The provided submarine's batteries from Russia were not suitable for the warm water of the Persian Gulf, and India possessed enough experience with Kilos in warm waters of Indian Ocean. The New Delhi Declaration paved the way for increasing the defense cooperation between Iran and India. Iran was inclined to get Indian assistance with other Russian-supplied conventional weapon system including T-72 tanks, MIG-29 fighters, warships, missile boats and subs (Ahmadi 2011). India and Iran have enjoyed a good maritime relations such as high-level political and military visits, two joint naval exercises in 2003 and 2006 and the naval technology cooperation (Behuria 2011). In addition, India and Iran military-to-military engagement has expanded into intelligence sharing regarding terrorist activities and curbing narcotics smugglers, drug traffickers and anti-piracy operations. Both India and Iran have major interest in security of the Persian Gulf and the Indian Ocean for trade and energy flows. To this end, they have been engaged in naval exercises for sea-lane control and security (Chansoria 2009).

In 2007, Iran engaged in a negotiation with India to purchase advanced radar systems, which are designed for fire control and surveillance of anti-aircraft batteries. The deal could reach US\$ 70 million; however, Washington took an opposing stance the deal. The US believed it was part of the Iran's military effort to protect its nuclear facilities. These radars are designed to track low-flying objects, such as unmanned air vehicles (UAVs) (Chansoria 2011). Washington has overtly expressed its contention and anxiety upon the Indo-Iran bilateral military developments (Pentagon 2003). Furthermore, being provided with crucial quantities of cutting edge equipment by Israel, New Delhi always should address the same concerns from Tel Aviv. Israel is worried about the India's proximity to and defense cooperation with Iran which could increase the risk of delivering Israeli military technology to Iran. India needs to make it clear for them that its defense ties with Iran are separate from its bilateral relations with US and Israel. Since the US has a close military cooperation with Pakistan, New Delhi's relations with Tehran is also peaceful and largely economic. Furthermore, the presence of military engineers, advisors and intelligence officers in Iran could provide India with a significant opportunity to monitor

Pakistan. For the time being, India has two consulates in Iran. One of them is in Zahedan, which is close to the border of Pakistan, and another in Bandar Abbas port on the Persian Gulf. These offices let India to collect intelligence about Pakistan and observe ship movements in the Persian Gulf and the Strait of Hormuz (Chansoria 2011).

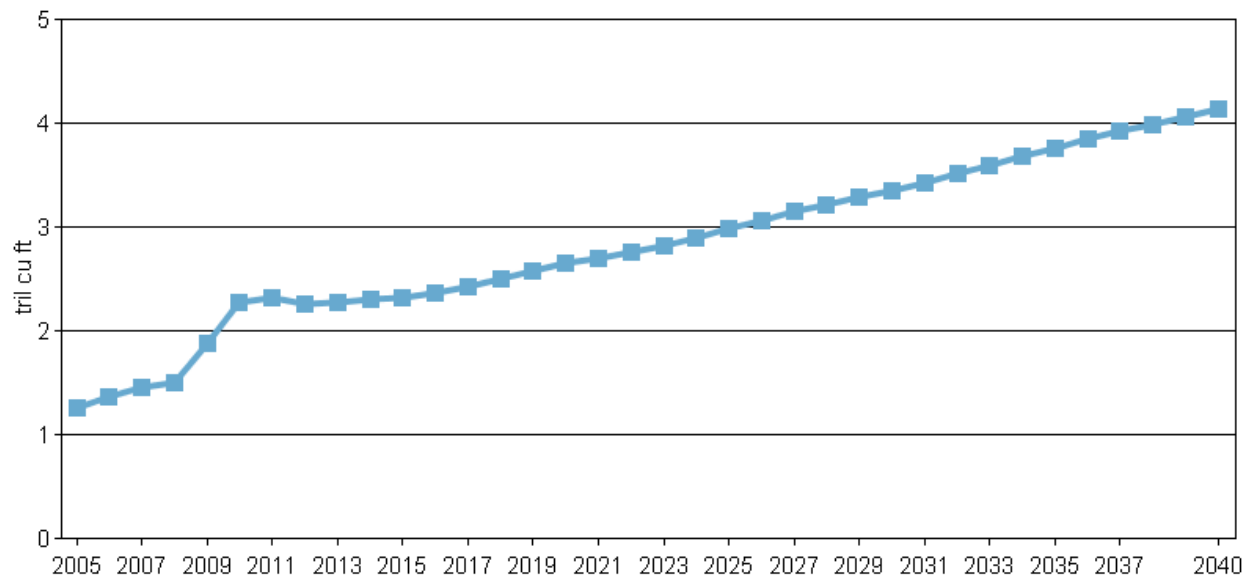
Defense cooperation is a good way to share regional security and expanding alliances with nations in the extended neighborhood. India could take the advantage of the existing good trustiness to widen its influence in Iran, and the military-to-military cooperation could be used as cement for the relationship. Iran is situated at the core of the world's energy heartland which is shaped by the Middle East, the Caspian Sea Region and Central Asia. In this respect, involving in a constructive military engagement with Iran can safeguard India's tremendous geopolitical and energy security interests. Defense ties with Iran can open a window for New Delhi to project its role in drafting the regional security structural. Indo-Iranian defense cooperation has a great capacity to emerge as a strategic cooperation in the Persian Gulf, the Arabian Sea and the Indian Ocean. Both countries can use defense cooperation as a foreign policy tool in order to strengthen mutual trust and enhance security and stability in the region (Chansoria 2011).

5.4. Oil, Natural Gas and Energy Security

5.4.1. India and Iran's Energy Status

Over the past two decades the India's economic growth has been very fast. The Indian establishment is aimed to reach a double digit growth over the next decades. Achievement of this goal, to a great extent, is relied on the accessibility of India to secure and abundant sources of energy. Energy concerns are at the top of India's national security priorities just after food and water (Dadwal 2011). According to EIA, the India's energy consumption is expected to increase from 26.9 quadrillion Btu in 2014 to 55 quadrillion Btu in 2040. While it is the world's fourth largest energy consumer for the time being, India is expected to become the third largest energy consumer by 2040, following only China (219.9 Q. Btu) and the United States (107.2 Q. Btu). It is the highest increase in energy consumption after China (EIA 2013e).

Figure 5.1. India's Energy Consumption Outlook



Source: US Energy Information Administration

Despite having substantial reserves of coal, natural gas and oil, the ever growing hunger for energy has necessitated India to import all types of hydrocarbon resources (Dadwal 2011). For example, India imports 70 percent of its oil demand, a ratio that is expected to rise to 90 percent by 2025 (GOI 2000).

The India's natural gas demand is expected to double to 4.139 Trillion cubic feet by 2040 from the current 2.31 Tcf in 2014 (EIA 2013d). In this regard, the share of natural gas demand will grow more rapidly than any other part of India's energy market (Mousavi 2011). The same situation applies to oil sector, while consumption will increase to 8.22 Million barrels per day by 2040 from the current 3.59 Mb per day in 2014 (EIA 2013c). Considering the India's increasing gap between its domestic energy production-consumption of oil and natural gas, New Delhi has to outsource its demand to keep the pace with its large energy consumption growth (Alam 2011). This insatiable appetite necessitates the outsourcing of energy from foreign sources and that makes Iran, with great reserves of proven hydrocarbon, an attractive partner (Mousavi 2011).

On the other hand, Iran has plentiful oil and natural gas deposits. Iran has the largest reserves of oil (conventional and unconventional) after Venezuela, Saudi Arabia and Canada. According to British Petroleum's statistic review of world energy in 2013, 10 percent of proven oil reserves

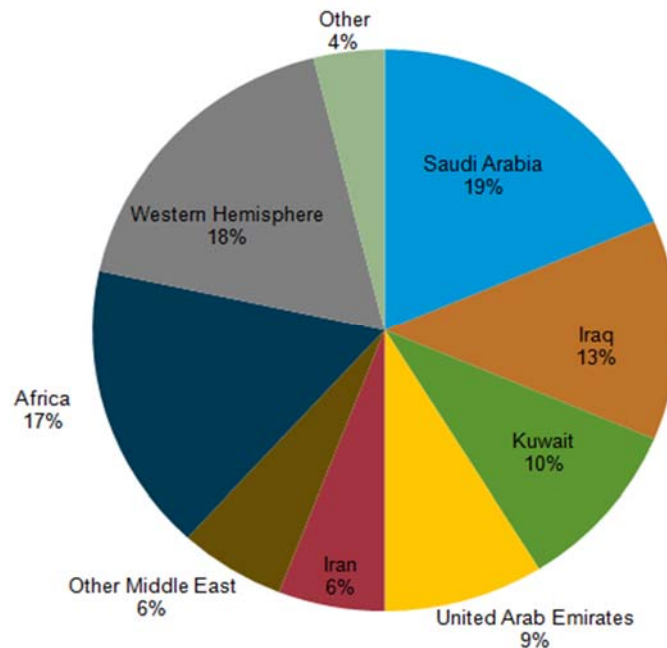
are in Iran (BP 2013). While having more than 157 Thousands million barrels of oil, Iran's production is just 4.2 percent of world. Due to international sanctions, Iran's production dropped 16.2 percent from 4358 thousand barrels per day in 2011 to 3680 thousand barrels per day in 2013. In the same vein, Iran has lost its second place as the largest producer of oil among the OPEC countries to the fourth place in 2014 (OPEC 2013). When it comes to the natural gas, Iran is of a greater interest for the world energy market (Dadwal 2011). With 1187.3 Tcf of natural gas reserves, Iran is holding the first largest natural gas deposits (BP 2013), however, its natural gas exports has been relatively limited. Although Iran produces 15.5 Bcf per day in 2012, much of its natural gas capacity remains unexploited due to imposed sanctions and lack of enough investment. Thus, Iran holds a gigantic potential in natural gas sector for future production and export (Dadwal 2011).

Energy cooperation between India and Iran has been one of the main reasons that bring these two states closer. Energy topics are addressed in both Tehran (2001) and New Delhi (2003) Declarations (Alam 2011). As stated by the Tehran Declaration, "the geographical situation of Iran and its abundant energy resources along with the rapidly expanding Indian economy and energy market [...], create a unique complementarity which the sides agree to harness for mutual benefit" (Alam 2011, p. 7). This mutual interest in energy issues is endorsed again in the New Delhi Declaration, "India and Iran have a complementarity of interests in the energy sector which should develop as a strategic area of their future relationship. Iran with its abundant energy resources and India with its growing energy needs as a rapidly developing economy are natural partners" (Alam 2011, p. 8).

Given the fast economic development, industrialization, urbanization and improving quality of life, India's access to a reliable, affordable and secure source of energy is arguably an inevitable challenge in near future (Dadwal 2011). Policymakers in New Delhi are well aware of the importance of diversifying their energy resources to boost the India's energy security. In this sense, Iran comes into play and can meet the Indian energy-deficient status and growing demand with its abundant hydrocarbon resources (Cheema 2011). Before the round of 2012 sanctions, Iran with 17 percent was the second-largest India's crude oil supplier just after Saudi Arabia with 23 percent (EIA 2013a). At the same time, India was the third customer of Iranian crude oil after China and Japan, with 13 percent of total Iran's oil exports. Regarding the complex regime of

sanctions that put great limitations on financial transactions, crude oil insurance and transportation, India has gradually cut down its share of oil imports from Iran to 6 percent in 2013 (Vakhshouri 2014).

Figure 5.2. India Crude Oil imports by Source



Source: US Energy Information Administration

5.4.2. Indo-Iran Mutual Energy Interests and Cooperation

The Iran-Pakistan-India (IPI) project was a 2775 kilometers gas pipeline to carry 780 Billion cubic feet of Iranian natural gas per year from the South Pars Gas field in the Persian Gulf to Khuzdar and Karachi in Pakistan and later to Multan in India. The IPI pipeline was initiated in 1993 as the 'Peace Pipeline'. Iran believed that by means of this trilateral venture it can find two hungry customers for its large deposits of natural gas and enhances further its strategic relations with Pakistan and India (Pattnaik 2011). It is hard to ignore the lower cost of the piped gas, making new job opportunities, increasing the economic development and increasing the foreign investment as the key motivations for implementing such a huge project. Nevertheless, what Iran did not expect was the prevalence of other elements. The first major barrier for India was geo-strategic considerations when Pakistani factor became an intermediary in their calculation (Khan 2011). New Delhi's main concerns were the price disagreement with Pakistan, possible

disruption in gas flow in the wake of tension with Islamabad and the security of pipelines in the soil of Pakistan vis-à-vis potential terrorist activities (Pattnaik 2011). On top of these reasons, however, was the anti-Iranian pressure from the United States. Therefore, after signing a Civil Nuclear Deal with the United States in 2008, India withdrew from the IPI project in 2009 (Ahmed 2011). In the light of the new situation, Iran and Pakistan decided to go ahead with the project and each part constructs the pipeline segment that is in its own territory, with the open option for India to come on board at the a later time (Dadwal 2011). As of today, Iran has finished its portion while Pakistan is excused due to problems in financing the project and international sanction on Iran. Meanwhile, new Iran's Petroleum Minister, Bijan Namdar Zangeneh, said in December 2014 that until India and China do not join the project it does not have the economy of scale and it is off the table for the time being (BBCPersian 2013).

Other major areas of cooperation in gas sector between Iran and India have been included LNG and Subsea Pipeline. India imports all its needed gas in LNG form, so India inked a Memorandum of Understanding in January 2005 with Iran to purchase 7.5 million tons of LNG per year over a 25-years period, commencing from 2009 (Neogi 2006). The deal was a US\$ 22 billion contract between India's GAIL and National Iranian Gas Export Co. (NIGEC), a subsidiary of the National Iranian Oil Company (NIOC). To this end, GAIL was committed to assisting Iran to construct a LNG terminal (Mousavi 2011). However, this agreement failed as well because of the impacts of US sanctions on Iran and the pricing disagreement for LNG. Although, Iranian officials believed it is mostly because of the pressure from Washington on India. According to Iran Sanction Act (ISA), any person, including foreign firms, who invests more than US\$ 20 million in Iran's energy sector within any 12-months period, will face some charges (Khan 2011). Recently there has been some news about reviving the old Oman-India subsea pipeline. This project was proposed by South Asia Gas Enterprise Private Limited (SAGE) in mid 1990s, but stopped due to technical and financing difficulties (Dadwal 2011). According to the feasibility studies, 1400 kilometer deep-water pipeline, which is estimated to cost between US\$ 4-5 billion, would transit 31 Million cubic meter per day of gas from Iran's South Pars Gas field to India (Pattnaik 2011). The initiative was discussed in the last Iranian Foreign Minister, Mohamad Javad Zarif, visit to New Delhi with his Indian and Omani counterparts, Salman Khurshid and Yousuf bin Alavi bin Abdullah respectively, in February 2014. Yet, this project is still on the paper (OET 2014).

There have been other MOU's such as construction of a joint Urea and Ammonia Complex in the Pars Especial Economic Energy Zone in Assaluyeh (Phase II), the India's participation in the development of Azadegan and Yadavaran oil fields and South Pars Gas field phase 12. Yet, in each of these projects either India withdrew from them due to the US sanctions, or Chinese companies have been replaced. It is overt that Indo-Iran energy relationship has been overshadowed by US sanctions on Iran. Although Iran's economy has been familiar with the US-imposed sanctions for a long time, given that the first round of sanctions on Iran was imposed in the wake of hostage crisis of 1979-1981, the recent rounds of US sanctions, which are focused on Iran's nuclear program, have weakened its economic strength. These new harsh sanctions includes cutting off Iran's access to refined petroleum imports and bans US banks from doing any business with foreign banks that provide services to Iran (Khan 2011).

Like other hydrocarbon exporting countries, Iran will enjoy the increase of expected demand, and India, with its growing demand for fossil fuels, is an attractive market. Yet, with the emerging of oil shale and shale gas, the future of hydrocarbon market will be very competitive in favor of consumers. What Iran needs to do is to push hard to increase its level of production to keep pace with the call on demand. However, Iran is suffering from the natural depletion of its oil well, while under stringent US sanctions on its energy sector. Iran has been unsuccessful to absorb enough capital and technology to sustain and increase its production. Similarly, despite having the largest natural gas reserves, the gigantic South Pars Gas field, for example, has not been developed enough to enable Iran to export piped gas and LNG in large volumes. Deepening its energy relations with New Delhi, Tehran can secure a sizable market which can be depended on for the medium to long-term. Undoubtedly, Iran and India need each other for the sake of diversification of sources and markets, mainly given the increasing of uncertainty in the energy market. Though, it is not in India's interest to have Iran under embargo. Since India is concerned about its energy security, Iran is a significant source of supply. Therefore, India's energy deal with Iran should be based on its own national security without being surrounded by pressures from other powers. Given its booming economy, India needs to adopt policies which are controlled by its own national interests and reflect its status as a great power (Dadwal 2011).

5.4.3. India's Energy Security and the Role of Iran

Without any doubt India is one of the world's influential countries. India is the second most populated country and in term of size is the seventh largest. To many scholars India with its military, manpower, rapid economic growth, technology and industry development and also being a nuclear power will soon join the club of the big powers (Koolae & Kalesar 2011). According to the World Bank India is scored as the world's tenth-largest economy by nominal GDP and third-largest economy by purchasing power parity (PPP) (WB 2012). Sustaining a high economic growth has a great importance for India, and access to secure source of energy is the prime requisite to keep that trend on (Koolae & Kalesar 2011). India is the fourth largest energy consumer in the world after the US, China and Russia and also the fourth crude oil and petroleum products consumer after the US, China and Japan (Vakhshouri 2014). In addition, India became the world's fourth largest importer of LNG in 2012 after Japan, South Korea and Spain (BP 2013). Increasing in hydrocarbon imports has elevated India's energy dependence. That would influence India's energy security at the first place and further the whole country to greater geopolitical risks and international price volatility (IEA 2012).

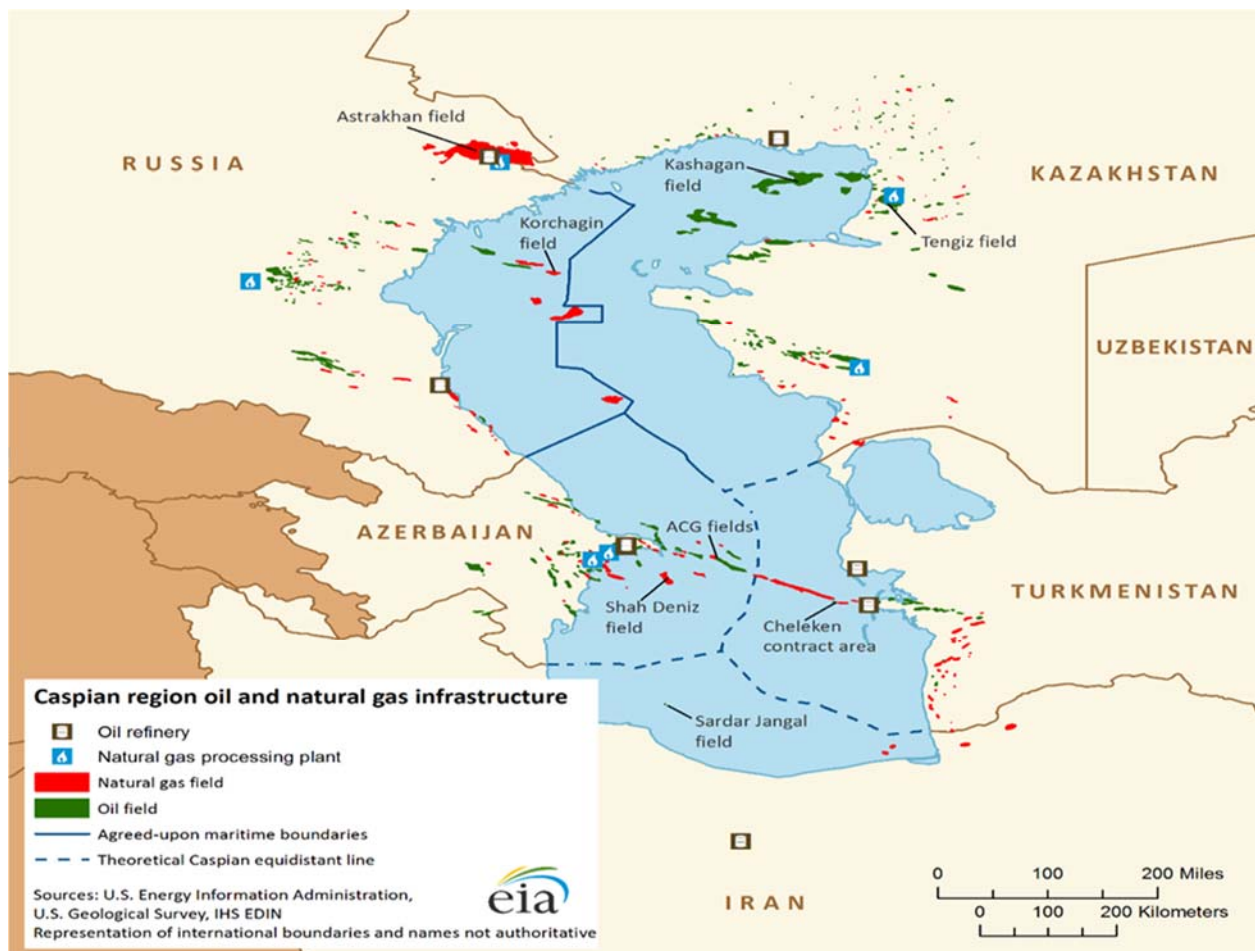
India's main sources of importing oil and natural gas are as follow (Koolae & Kalesar 2011):

- Natural gas from Bangladesh or Myanmar, that would bypass either through the Bangladeshi territory or via deep-sea pipeline through the Bay of Bengal,
- Oil from Latin America and Africa with tanker,
- Oil from the Middle East and the Persian Gulf with tanker,
- Natural gas from Iran through IPI pipeline or from Iran and Oman by subsea pipeline,
- Natural gas in LNG from different suppliers like Qatar, Nigeria, Egypt, Algeria, Yemen,
- Turkmen natural gas through TAPI gas pipeline via Afghanistan and Pakistan,

- Caspian Sea Region oil and natural gas, through pipeline via Iran or Pakistan territory,
- Caspian Sea Region oil and natural gas via Iran's port in the Persian Gulf and by tanker.

According to field-level data, EIA estimates that 48 billion barrels of oil and 292 Tcf of natural gas is proved and probable reserves in the wider Caspian Basin area, both onshore and offshore. Most of these reserves are offshore or near the Caspian Sea coast. It seems in general, the bulk of

Figure 5.3. Caspian Sea Region Oil and Gas Reserves and Infrastructure



Source: US Energy Information Administration

the offshore oil fields are in the northern part of the Caspian Sea and most of the offshore natural gas reserves are in the southern part. Given the territorial disputes between the CSR countries,

the Caspian Sea may have more hydrocarbon reserves in unexplored or underdeveloped areas. However, the CSR hydrocarbon reserves are relatively situated far from world consumers and need excessive investment and infrastructure to bring them to world's markets. Traditionally, these states are dependent on old Soviet pipeline networks and Iran can use its geographic position as a bargaining chip for transporting Caspian resources (EIA 2013b). An important concern regarding CSR energy is the important role of surrounding regional and extra-regional actors, which influence the issue of energy security. Yet, it does not imply that the landlocked republics are passive actors and have no control upon the outcomes of the deals and the game. In practice, the competition between the extra-regional players has augmented the Caspian republic states' bargaining power, autonomy and maneuverability (Koolae & Kalesar 2011).

CSR as one of the rich hydrocarbon regions has the potential to fulfill India's energy growing demand. To secure its energy interests New Delhi needs to pursue a solid CSR's long-term energy strategy that has not followed yet. To that aim, India has to address two challenges, absence of a defined doctrine and transportation limits (Peyrouse 2009). Despite India's interest to CSR energy resources and enjoying geographical proximity, India has no border with any Caspian states and that has limited India's accessibility to the region. Compare with China, which has established a steady, active and long-term strategy with CSR states, New Delhi's involvement is not considerable and lags behind Beijing (Koolae & Moradi 2011). The US is also interested to build its own CSR regional security, and lessen the influence of the traditional actors (Russia and Iran) and new players like China. The possible US control upon the CSR and the Central Asian countries will make the energy resources neither cheap nor accessible to others. Succeeding in its strategy, the US will use energy issue as a foreign policy's tool and that would make the energy-hunger India most vulnerable (Kaushik 2007). India has already experienced American leverage and pressure when US openly discouraged New Delhi to withdraw from IPI project. Regarding Indo-China competition, Indo-Pakistan hostility and instability in Afghanistan, which could have negative impact on South Asia's states involvement in the CSR's politics and energy in particular and their own energy security in general (Koolae & Kalesar 2011). If Russian influence declines in the region while Chinese influence increasing, India have no other option but to expand and strengthen its strategic relations with CSR and Central Asian countries in all aspects (Sachdeva 2006).

When it comes to Indian Energy security, the important role of Iran is undeniable. Iran not only with its huge reserves of oil and natural gas can be a potential and secure source of energy for India, but also sits at the Strait of Hormuz in the Persian Gulf (Koolae & Kalesar 2011). Shipping around 20 percent of oil traded worldwide has made the Strait of Hormuz the world's most important oil chokepoint. More than 85 percent of this crude oil is destined to Asian markets including Japan, India, South Korea and China. Any temporary blockage in oil flow, in the Strait of Hormuz, can cause market instability and substantial upsurge in energy prices (EIA 2012). This is more crucial in case of India, knowing that more than 78 percent of India's LNG imports comes from Qatar and through the Strait of Hormuz (BP 2013). Moreover, Iran has geographical access to both land masses of the east and west energy rich of CSR. Undoubtedly, Iran is the best route for India to export its goods to and import energy from CSR compare to the other options. India could access the Caspian Sea states through the Iran's ports of Chabahar and Bandar-Abbas and also its rail and road network (Koolae & Kalesar 2011).

Notwithstanding, India has not exploited Iran's geo-strategic potentials and energy factors, it has not ignored it though. India should be more decisive in flowing its crucial regional interest vis-à-vis China and Pakistan. In this respect, if India is planned to engage with CSR politics and energy issues, keeping close relations with Iran is inevitable. Iran could facilitate India's geo-strategic, economic, and energy interests and access to the CSR. In New Delhi geopolitical calculus, Iran has perceived at the regional context than at a global level, and Washington's pressure has played as a hamper for New Delhi to take cautious steps toward Tehran. Furthermore, if China has close binds with Pakistan and maintains good relations with Iran, why not India. China has been able to keep its relations with the US and the EU and stood out the critiques on its relations with Iran. India can do the same. India could take the advantage of IPI project as an initiative to soften its hostility with Pakistan. Mutual energy interests are an opportunity to bring India and Pakistan closer and put an end to more than half a century rivalry. In sum, India has shown more increasing interest rather than more increasing action. New Delhi needs arrive to the decision that prevention is better and less costly than cure (Koolae & Kalesar 2011).

5.5. Indo-Iran Bilateral Trade

Trade between Iran and India goes back to historical Silk Road. Both countries with diversified developing economies in their respective regions have realized that they could get the best of each other's skilled manpower, strengthen their industrial and managerial knowledge and scientific and technological advancement (Khan 2011). The bilateral trade relationships have been affected by the Iran's crude oil export to India, which is resulted to total trade balance in favor of Iran (FICCI 2013). New Delhi and Tehran have come to the understanding that their relation needs to go beyond oil trade (Dadwal 2011). Despite intervening factors from outside, both have showed interest to evolve their bilateral trade and commercial relation, in order to gain deeper insights, which could lead to a more constructive and sustainable engagement (Ahmed 2011).

India's trade with Iran is not very significant. Iran was the seventeenth India major trade partner in terms of total trade for the fiscal year ending March 2013. India's export to Iran was worth US\$ 3,351.07 million in 2012-2013, while at the same time its import was US\$ 11,594.46 million. The volume of total two-way trade in 2012-2013 stood at US\$ 14,945.53 million, which shows a 7.75 percent fall from US\$ 16,201.49 million compare to the previous year (2011-2012). Although, India's export to Iran has grown 38.97 percent during these two fiscal years (2011-2013), Iran's export to India shows a decline of 15.92 percent. India's total trade with Iran in the three quarters of 2013-2014 (April-December) has been US\$ 10,543.78 million (FICCI 2013).

Table 5.1. India's Bilateral Trade with Iran

| | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-2013 | 2013-2014 (Apr-Dec) |
|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------------|
| Export to Iran | 1,943.92 | 2,534.01 | 1,853.17 | 2,492.90 | 2,411.33 | 3,351.07 | 3,674.22 |
| Import from Iran | 10,943.61 | 12,376.77 | 11,540.85 | 10,928.21 | 13,790.16 | 11,594.46 | 6,869.56 |
| Total Trade | 12,887.52 | 14,910.78 | 13,394.01 | 13,421.12 | 16,201.49 | 14,945.53 | 10,543.78 |

Source: Ministry of Commerce & Industry, GOI

This level of trade, to a large extent, has been suffering from the unilateral sanctions by the US. These sanctions have put continues pressure on states and financial system to avoid trade with

Iran. However, given the size of India and Iran's market and their capacities, both countries can expand their trade beside the oil business (Mousavi 2011).

There are several potential areas for trade cooperation which both Iran and India can enjoy. Some of these areas are (FICCI 2013; Khan 2011):

- Principal export commodities from Iran to India:

Methanol, Liquid gases (Propane, Butane), Fresh or dried pistachio, Aromatic hydrocarbon mixtures, Ammonia without water, Organic chemicals, Metalliferous ores and metal scrap, Non-ferrous metals, Sulfur and unroasted iron parts, Transport equipment and Tourism.

- Principal import commodities from India to Iran

Gasoline, Non-alloyed iron and steel ingot, Non-alloyed iron and steel shares, Light oils and products other than gasoline, Products of flat iron or steel, Machinery and instruments, Manufactures of metals, Drugs and pharmaceuticals and fine chemicals, Rubber manufactured products except footwear, Processed minerals, Manmade yarn and fabric, Tea and Rice,

Despite a diversified trade relation between India and Iran across various sectors, India's key interest lies in secure and economically attractive import of hydrocarbon from Iran. Yet, New Delhi needs to arrive to the understanding that trade with Iran is a part of multilateral regional trade ties with the Central Asian market. Therefore, being trade alliance with Iran can play as a gateway to those markets for India. On the other hand, if Iran is desired to have a spot on the international economic map more than a hydrocarbon seller, the process of economic reform like privatization and deregulation needs to be speeded up. Moreover, Iran needs to establish and develop its financial market including stocks, bonds, foreign exchange and commodities and link it to the international capital market. The lack of a developed financial market has led to weak mobilizing savings, allocating capital or attracting foreign investment (Khan 2011).

Chapter 6

Indo-US Relations

6.1. Gentle Normalization of Relations

Historically speaking, the relation between India and the United States has developed from a mutual animosity and mistrust. However, the contemporary progress in bilateral relations is evolving in response to “the changing role of India as a regional power, the growth of India’s economy and its attendant impact on US interests in such varied realms as energy policy planning and foreign trade, and Washington’s interest in continued stability in the subcontinent in light of its stated objectives in the war on terrorism” (Shoup & Ganguly 2007, p. 1).

Being independent of British colonial rule, New Delhi has assumed itself as a global leader and a role model for the developing world. Likewise, India drafted a non-alignment strategy during the Cold War era for its foreign policy. In theory, the intent of non-alignment was to empower states to adopt their foreign policies disregard to constraints which were imposed by the two superpowers. While in practice India’s foreign policy was not quite neutral when it came to the critical Cold War considerations. To cite an example, the Soviet Union was the main arm supplier to New Delhi in the 1970’s. Although India and the US were cooperating for a short period in 1962 during the Sino-India war (Pant 2013). Nevertheless, this relation could not develop enough following Washington’s continuous support for Pakistan. For Washington, Pakistan was in the front line of combating and containing communism. During the Soviet Union presence in Afghanistan, the US and Pakistan were helping Afghan resistance to defeat the Soviet communists (Hagerty 2007). That manifests the logic behind arms sales and ambivalence position on the issues of Kashmir. These perceptions have remained as tangible barriers in the way for full-scale cooperation to this day (Shoup & Ganguly 2007).

The toppling of the Berlin Wall was a great challenge for New Delhi. This transition occurred at a time when social, economic and political transition was undergone in India. It was the first time after independence when Indian economy moved away from socialist economy with intention to distribute India’s wealth evenly. Reformation in Indian economy was necessary to deepen economic ties with the United States. This goal achieved under Prime Minister P.V. Narasimha Rao and US President Bill Clinton by drafting the economic-driven grand strategy of ‘engagement and enlargement’. Although, the overall political rapprochement was being

undermined by Washington standpoint regarding India-Pakistan dispute over Kashmir and New Delhi's nuclear weapon and ballistic missile program. Despite being a de facto nuclear weapon state, India's May 1998 nuclear tests had lessened the Indo-US convergence. The US concerns upon possible proliferation in the South Asia brought about a broad round of sanctions against New Delhi and Islamabad (Hagerty 2007).

The September 11th attack, which caused serious security challenges for New Delhi and Washington, was a cornerstone to evolve and fasten Indo-US ties. Gradually, the US had started to waive its sanctions on New Delhi and ease Indian access to sophisticated weapon systems and dual-use technologies. Washington came to the reality of India's nuclear program, and expressed its support for the Simla Agreement over the Kashmir dispute, which was more acceptable to New Delhi. Over time, changes in capabilities and attitudes lead to alignments, and New Delhi and Washington found themselves closer to amity rather than enmity. China's steady rise as a great power, India's advent status as a nuclear weapon state and a new economic power, and emergence of systematic terrorist networks in the world have forced New Delhi and Washington to appraise for a new grand strategy. This mutual understanding and convergence exhibited its height in the historic India-US Civil Nuclear Agreement in 2008 (Sajjadpour & Pahlevani 2013).

Moreover, India and the US pursue quite close strategic interests with regard to Asia-Pacific stability. Although New Delhi and Washington do not recognize China as a foe, they perceive it as a potential threat. New Delhi believes that Beijing has drafted a strategic encirclement policy towards India for the last decades. To India, transferring nuclear weapon and ballistic missile technology to India's main adversary, Pakistan, was a scheme to contain New Delhi. To that end, India decided to associate itself to the United States in order to balance out China's increasing power. On the US side, Washington sees China more threatening than India, so it is in the best interests of Washington to help India to become a major power in Asia. In addition, in the realm of mutual identities, the US and India believe they are democracies, whereas China is still a communist state in theory and an authoritarian establishment in practice. For Washington, China's economy has been liberalized, while its political establishment remains totalitarian. In the given situations, India and the US fall into the same category, but China does not (Hagerty 2007).

Both India and the US are accommodating themselves to new roles in the international

community. Achieving great power status for India means greater responsibilities in handling global difficulties. For the United States, which used to policing world unilaterally, encouraging more amicable states like India to contribute to the international order, particularly in the mass land of Asia. A healthy reciprocal relation would sustain if two sides acknowledge the differences. Both states concern over the balance of power in East Asia, stability of energy flow from the Persian Gulf, security of Central Asia and the Indian Ocean and how to deal with Iran's nuclear program and Pakistan. On each of these issues, New Delhi and Washington have their own viewpoints. They need to come to the realization that what could be the best policy to serve their shared interests and boost their cooperation, despite their existing disagreements (CFR 2011).

6.2. Shared Geopolitical Interests

6.2.2. Pakistan, a Challenging Decision

Among all hampers in the Indo-US relations, the issue of Pakistan seems to be more complex. The tension is to a great extent rooted in territorial claims over Kashmir and cross-border terrorism in major Indian cities (Kronstadt 2011). Indian policy-makers have overtly arrived to the understanding that US tolerance of Pakistani malfeasance is a short-term necessity for its objective. On this basis, US proximity to India in areas of technology trade and arms sale has translated as a quid-pro-quo to lessen New Delhi's acrimony. It is in New Delhi's best political and economic interests to know that, in the US geopolitical calculus of South Asia, India is separated from Pakistan. This is critical to India's goal of obtaining the status of a global power (Shoup & Ganguly 2007).

The effects of this rivalry between New Delhi and Islamabad have negatively influenced the US-led coalition in stabilizing Afghanistan. It implies that the US mission in Afghanistan to some degree is associated to Indo-Pakistan rapprochement. Until Pakistan does not feel more secure on its eastern border from a perceived existential threat, it would not shift its attention and military resources toward the west. The same situation applies to the Pakistan's impetus for war on terror. Some in Pakistan believe that increasing warm Washington-New Delhi relationship should not

be on the expense of their country's insecurity (Kronstadt 2011). More than a decade after September 11th, the US strategy in altering Pakistan's Afghan policy has failed. The long-term American goal was to empower moderate elements in Pakistani society and establishment. Nevertheless, the Pakistani elites have come to believe that US goals regarding Pakistan are transitory and in opposite to their preferred interests. To them Paki-US bilateral relationship has degraded into Pakistan lease land routes access to Afghanistan in exchange for US aid (CFR 2011). Moreover, US has no alternative but engaging with Pakistan to facilitate the 2014 withdrawal. Post Afghanistan withdrawal would provide a room of maneuver for Pakistan in mediating between Kabul and Taliban elements, and that could raise Indian leaders concern upon Islamabad's influence on Afghanistan (HF&ORF 2013; Kronstadt 2011).

Among the United States, China and Saudi Arabia, which to some extent have influence on Pakistan, only the United States have the most common objectives shared with India. New Delhi can protect its national interests in Pakistan and to a certain degree in Afghanistan, in cooperating with Washington. To New Delhi's elite circles, despite the repetitive efforts by recent Indian governments to normalize relations, Pakistan has shown deliberately intractable approach, no matter which political party was in power in Islamabad. As far as Pakistan's domestic politics is dominated by Pakistani military, there would be no amendment in basic Islamabad's policy towards New Delhi. It is in the Pakistan's army interest to have a degree of hostilities with India, including support for terrorism (Pant 2013).

For the time being, Indo-Pakistan relations are dysfunctional and are expected to remain the same. US-Pakistan ties are also on a sharply downward direction. This is not in the best interest of neither New Delhi nor Washington, considering the safety and security of Pakistan's nuclear arsenal and its support for terrorism. Both India and the US desire to enjoy a stable Pakistan. Given the situation in Afghanistan, Washington needs to maintain close cooperation with the Pakistan military, albeit being the main opponent to any Indo-Pakistan rapprochement and sometimes using terrorist groups as useful allies (CFR 2011). For the sake of regional stability, Washington is strongly interested in quenching hostilities between these two nuclear-armed countries. Furthermore, Washington is under New Delhi's constant pressure to convince Islamabad to take a serious stance against anti-India terrorist groups operating inside Pakistani territory (Kronstadt 2011). On the Pakistan side, it attempts to avoid any rupture in its

relationship with Washington, meanwhile providing a haven for terrorists to use it as a strategic leverage to weaken India. Although many in New Delhi comprehend Washington's dilemma in cooperating with Pakistan's army, many others cannot tolerate the flow of the military aid to India's main rival, which seemingly only usable against India (CFR 2011). All in all, New Delhi and Washington have not been engaged in any serious dialogue about Pakistan, despite their strong desire for a stable Pakistan. India and the US could work together to promote political modification, economic development and democratic transformation in Pakistan. Neither India nor the US has enough power unilaterally to alter Pakistan's current trajectory, and both need to sync their policies toward Islamabad to initiate a positive change (HF&ORF 2013).

6.2.2. China, Rivalry for Supremacy in Asia

Acknowledging any bilateral relation on the Asian continent cannot be completed without enlisting the role of China. States are being affected by Chinese actions and policies as a consequence of China's rise. Chinese leaders should not be surprised if other states are concerned about what China does can influence them. Both the United States and India have great mutual interests with China, especially in economic facets (CFR 2011).

To New Delhi, China at the first place is a strong neighbor that India's foreign policy establishment prefers not to provoke. China is the largest trading partner to India, and each of them has growing investment interests in the other one (HF&ORF 2013). Elites in New Delhi believe that India could have had a more ardent stance towards Beijing, particularly in regard with China's evolving regional and global role. They argue that former New Delhi's policies had been very concessionary in dealing with China, which has been seeking to contain India. Despite the existing tensions in the Indo-China relationships, there are potential areas that two countries could work together. New Delhi and Beijing have the potential to cooperate closely in shaping the future power and strategic structures which are evolving in Asia. The main logic behind this cooperation is their countries' economic development which is a vital national priority and none of them would likely enjoy an open conflict. Given this view, increasing economic interdependence has an impediment role in conflict rising; but, it is not clear for how long this element could work out. For instance, China is strongly contrary to any tension in the Indian Ocean Region, since it could lead to accelerating India's partnership with the US. Thus, possible conflict in the region could directly harm Chinese economic interests, which increases the

incentives for strong cooperation (Kronstadt 2011). To meet some of its security concerns, for the past two decades, India has enhanced its ties with the Southeast and East Asian regional states such as Japan, Singapore, Malaysia and Indonesia. India's 'Look East' policy could consolidate India's bilateral and regional ties and provides basis for accommodating China in a regional security structure (CFR 2011). However, the success of 'Look East' policy could complicate Chinese diplomacy in Southeast Asia as well. Likewise, engaging US in the Western Pacific and its commercial interests in the South China Sea help India to highlight problems at an international level (HF&ORF 2013).

Notwithstanding the discomfort history in the Sino-US cooperation, they have had steadily relationship in the matter of interaction and interdependence. When it comes to economy, China is far more important to the US than India. China is the second trading partner of the US, when India holds the thirteen's level, and in dollar terms it is tenfold more. The Sino-US diplomatic ties are resilient and extensive, even the results are not fruitful (Sajjadpour & Pahlevani 2013). There is an anxiety in New Delhi about US policy towards China, while Beijing intentionally tries to slow India's rise as a great power. They mention what former Secretary of State, Hillary Clinton, said as an example that the US relationship with China "will be the most important bilateral relationship in the world in this century" (Clinton 2008). These statements about the centrality of Sino-US relationship for Washington have raised the question of American commitment to a stronger India and its role on the Asian security architecture. This correctly has shaped a concern in New Delhi that Washington only needs India to contain China's rise and not as a strategic ally (CFR 2011). While, some in Washington encourage relationship with the largest pluralistic democracy, some Indian elites have expressed concern over Sino-US engagement that could threaten New Delhi's interest and leave India at the second place in the American's Asian calculus (Kronstadt 2011). On that basis, India is better to avoid provoking China toward hostile policies (CFR 2011).

Both India and the US have come to the understanding that they share important national interests, which will be served best by having close relations with Beijing. Yet, both of them view some Chinese actions with dubiety, whereas neither New Delhi nor Washington would enjoy a likely confrontation with China or conduct a coalition to contain China. The Indo-US partnership could broaden their reciprocal cooperation and also work with other regional states

for peaceful and cooperative goals in the Asian landmass. Given the growing importance of China in world affairs, both states need to willingly pursue two strategies at the same time; maximizing the likelihood of congenial relations with China, and preventing Beijing to exercise its unilateral hegemony upon Asia (Pant 2013). Conversely, Chinese anguish has dramatically increased over the growing strategic partnership between New Delhi and Washington. Beijing believes that potential alignments in Asia could end in encirclement of China. These concerns might come true if ideas such as developing a quadrilateral group of like-minded democracies in Asia is accomplished, which had been discussed under the Bush administration, including the United States, Japan, Australia and India (Kronstadt 2011).

For the time ahead, New Delhi and Washington will face a challenging task in finding a joint policy towards China. Evidences of dilemmas and ambivalence are explicit in both capitals. Albeit Chinese policies in recent years have encouraged Indo-US dialogue on East Asia, New Delhi remembers the time when Washington prevented India from securing its national interests vis-à-vis China. On the other hand, America can hardly remember the times when India was helpful without being protracted and painful in negotiations. But, these negative images should not distract the Indo-US bilateral ties. Both countries need to acknowledge that any erroneous Indo-US relation would strengthen the Russo-China cooperation. In addition, any possible success for Beijing or Islamabad in forming an Afghan-Paki-Sino axis, prescribes a close relation between India and the United States (Sajjadpour & Pahlevani 2013).

6.2.3. Afghanistan

New Delhi and Washington's national interest drive them to prevent Afghanistan from being again used as a haven for terrorist groups. Both capitals agree on their shared objectives regarding stabilizing Afghanistan (CFR 2011). However, they differ on how to achieve it. For instance, New Delhi is more cynical than Washington when it comes to political reconciliation with Taliban. To the Indian elites, reliance on Pakistan to deliver Taliban to the negotiation table and crackdown the terrorist networks is going nowhere. Moreover, New Delhi is truly concerned about the time when US attempts to leave Afghanistan and offer to many concessions to Islamabad (HF&ORF 2013). India's security interest regarding Afghanistan, however, is related to Pakistan. New Delhi desires to project influence on Afghanistan to bypass Pakistan, ease its access to Central Asia and contain the spread of Islamist extremism militancy on its western

flank. While India is hindered by geography and ethnicity, Islamabad is enjoying its proximity with Afghanistan to undertake provocative anti-Indian policies (Kronstadt 2011).

Regarding India and the US congruencies in Afghanistan, New Delhi correctly concerns about the possible failure in Afghanistan after more than one decade involvement. Such a withdrawal would increase the likelihood of terrorist activities in the region and threaten peace and stability across and beyond the subcontinent (CFR 2011; HF&ORF 2013). Given the 2014 withdrawal scenario, New Delhi can either increase its presence in Afghanistan and taking the potential Pakistani reaction risks, or lessen its presence in the hope of easing Pakistan's insecurities. Although the latter decision will contribute to greater stability, it is in contrast with India's aspiration in regional influence and further global power status. On the other hand, Islamabad also accuses New Delhi of using Indian consulates in Afghanistan to interfere in Baluchistan province by supporting Baloch separatist militants. In addition, Islamabad believes that New Delhi intrudes in Pakistan's tribal area along the Afghanistan border. To many analysts India's hyper-engagement in Afghanistan is likely to accelerate regional tensions. Thus, while US welcome India's tone and tenor in Afghanistan at a low profile, it is necessary to acknowledge Islamabad's legitimate security concerns in having a friendly neighbor in its western border (Kronstadt 2011). As long as New Delhi and Islamabad are engaged in a zero-sum regional competition, they have complicated the US efforts in disrupting insurgency and terrorist networks in Afghanistan. In the given situation, some in New Delhi are doubtful about US sufficient attention to India's security concerns about Afghan Taliban revival in Afghanistan (CFR 2011; Kronstadt 2011).

6.2.4. Middle East

Considering the turmoil situation in the Middle East, such as the bitter fruit of the Arab Spring, civil war in Syria and escalation of Shia-Sunni hostility; India and the United States are sharing serious interests including energy flow from the Persian Gulf, fighting the spread of radical Islamists and preventing any further nuclear proliferation. Besides, India is dependent on oil and natural gas imports from the Middle East and five million Indian workers remit annually billions of dollars to home. Unlike the US, India has been a passive supporter of the democracy transition wave over the Middle East and North Africa. Some analysts in New Delhi believe that it is not clever to trade near-term strategic interests in the Middle East for uncertain future strategic

benefits in the broader Arab world. Last but not least, New Delhi is very cautious about spread of extremism among its large Sunni and Shia Muslim populations and calculates its policy towards the Middle East with great punctuality (CFR 2011).

6.3. Security and Defense Partnerships

6.3.1. Security and Counterterrorism Cooperation

The Indo-US security and defense cooperation froze after India's 1974 nuclear test and succeeding US sanctions. After September 11th, despite parallel US rapprochement with Pakistan, Indo-US security cooperation has elevated. In June 2005, New Delhi engaged in a ten-year security and defense pact agreement with Washington. The pact was planned to elaborate "collaboration in multilateral operations, expanded two-way defense trade, increasing opportunities for technology transfers and co-production, expanded collaboration related to missile defense and establishment of a bilateral Defense Procurement and Production Group" (Kronstadt 2011, p. 82). On top of that, a bilateral Maritime Security Cooperation Agreement was signed in 2006 in order to "protecting the free flow of commerce and addressing a wide array of threats to maritime security, including piracy and the illicit trafficking of Weapon of Mass Destruction and related materials" (Kronstadt 2011, p. 82).

New Delhi and Washington have other shared security interest objectives in South Asia as well. Their policies converge in areas such as emergence of new balance of power in the region, challenge of WMD proliferation, Islamist extremism and energy security. Yet, Indian and American strategies diverge on a couple of key subjects, particularly the role of Pakistan in the region and its policies vis-à-vis ongoing Afghan insurgency and New Delhi's relation with Tehran regarding Iran's nuclear program (Sajjadpour & Pahlevani 2013). Among the mentioned issues, for the time being, the most crucial one for New Delhi is the counterterrorism cooperation. The 2008 Mumbai terrorist attack led to an extensive US assistance in the investigations and it paved the way for a bilateral counterterrorism cooperation accord in 2010. The agreement was included "interactions between security and intelligence officials, exchange visits of senior leadership of security and intelligence units, joint training exercises and US

assistance to India in enhancing critical investigation skills” (HF&ORF 2013, p. 11). Following the agreement, the US Department’s Anti-Terrorism Country Assistance Plan, has provided training for Indian officials in areas such as “forensic analysis, evidence gathering, bomb blast investigations, human rights, extradition and prosecution” (HF&ORF 2013, p. 11).

Lashkar-e-Tayyiba (LeT) is the terrorist group that concerns India the most. New Delhi believes that the terrorism in India has its bases on Pakistani territory with support of some elements in military. Indian policymakers cannot tolerate US antithetical anti-terrorism policies when it comes to Pakistan. They see Washington’s eagerness to accommodate Pakistani security demand and US inability or unwillingness to punish Pakistan, while Islamabad overtly maintains its support for terrorism. It is inexplicable to New Delhi that despite Pakistan’s resistance to dismantle its terrorist infrastructure, Washington does not put enough leverage on Islamabad. Notwithstanding flaws, contradictions and challenges, India and US can enjoy a full-scope, robust and comprehensive counterterrorism cooperation to contain the threats of terrorism in the region and beyond (HF&ORF 2013).

With the rise of Asian economies, the Indian Ocean has become a global critical water line for transporting product containers and oil and petroleum tankers. India’s geographical location alone makes it the most important partner for US regarding this zone of concern. Although the Indian Ocean security is a global concern for US, it is a regional challenge for India. In this case, India does not see the US projection power necessary to successfully manage and exert its influence over the Indian Ocean. India has been actively involved in antipiracy operations even in the Horn of Africa and elsewhere in the Indian Ocean. A strong Indian navy is in the best interest of US national interests on many issues, from antipiracy and disaster relief to peacekeeping. The Indian navy is one of the few organization who is capable of maintaining flows of commerce and protecting energy routes across the Indian Ocean, and it is totally identical to the US interests (CFR 2011; Kronstadt 2011).

6.3.2. Defense Cooperation

India has the third largest army, fourth largest air force and fifth largest navy in the world, and all three services have been modernized. Possessing a professional military force, India has shown its desire to protect and defend Indian national interests by all means. Indo-US defense

partnership has developed from little to no cooperation in 2001 to a full-scoped relationship today (CFR 2011; Kronstadt 2011). After the September 11th terrorist attacks, India gave the US forces special access to Indian facilities in combating the Taliban and al-Qaeda in Afghanistan. For instance, in 2002 Indian navy scored high-value US vessels through the Strait of Malacca. Indian and American defense cooperation have expanded to many areas such as “exchange expertise on search and rescue operations, air combat, air transport, rotary aircraft operations and maintenance, logistics, special operations, jungle and high-altitude warfare, amphibious operations and antisubmarine warfare” (CFR 2011, p. 36).

To Americans issues around rising China seems to be the glue for Indo-US military engagement, while India prefers to take more warily steps when it comes to China. India’s strategic calculus is postulated to expand its defense ties with US in certain ways to serve common geopolitical interests. Yet, New Delhi should minimize the likelihood of provoking Beijing or disrupting close defense ties with Moscow. New Delhi has adopted a solid diplomatic approach towards Beijing. India is enjoying a growing trade and economic cooperation with China and prefers peaceful resolutions to their border disputes. Simultaneously, it is an open secret that India’s military modernization campaign and deployments is for its rivalry with Beijing. New Delhi clearly feels potential threats in the Asia Pacific region, but prefers to keep its foreign policy tools supple and avoids irritating its neighbors. In the given situation, some analysts in Washington perceive US as just a military technology supplier to India rather than a strategic partner (Pant 2013).

In spite of expanded military cooperation between New Delhi and Washington, a tinge of unreliability still exists between them. Although, over more than one decade much of that distrusts has eroded, India is not interested in upgrading its defense cooperation with US to the level that Washington has with its treaty allies (HF&ORF 2013). Close defense cooperation is an instrument to measure the degree and level of trust and shared interests between the political leadership. For many Indian elites there would be no full confidence as long as Washington keeps providing Islamabad with high-end conventional weaponry system, which has little use except confronting India. New Delhi does not tolerate Washington’s patience on Pakistan’s support for terrorism and providing Islamabad with conventional weaponry in expense of India (CFR 2011).

6.4. Civil Nuclear Agreement and Nonproliferation

India's first nuclear peaceful device was tested in 1974 and the first nuclear weapon in 1998. According to public estimates, India possesses 60 to 100 nuclear warheads and continues to enrich weapons grade plutonium. New Delhi has repeatedly expressed that it is not interested in engaging in a nuclear arms race, and just need to store credible minimum deterrent. Yet, New Delhi has never clarified where the deterrence edge is (Kronstadt 2011).

Since the end of the Cold War, the international nonproliferation regime has faced many challenges, such as Israel, India, Pakistan, North Korea and Iran. Nonetheless, the disagreement among major powers is the main challenge to credibility of the regime itself and has resulted to the status quo. The proliferation, however, is a direct threat to New Delhi and Washington's interests. Being a critic of the global nonproliferation regime, India has never supported the spread of nuclear weapons. Many disagreements between India and US have been settled in the past 10 years, after the US-India Nuclear Civil Deal. During Bush's terms in office, India had integrated in the global nuclear order and has become a supporter of the nonproliferation regime (HF&ORF 2013). Along with the US-India Civil Nuclear Deal in 2008, New Delhi acquired access to nuclear technology and services in the global market to expand its civilian energy program. This agreement has validated India's civil nuclear program to a great extent (Pant 2013). As a non-signatory to NPT, India has approved to be a responsible advocate of nuclear technology. Likewise, in spite of access to missile and space launch vehicle technology for more than three decades, India has not been a proliferator of this knowledge. India's cooperation on nonproliferation of chemical and biological weapons is also important regarding India's developed chemical and biotechnology industries. Given all areas which India has considerable advanced technology, it has shown its international responsibility (CFR 2011).

Geopolitically speaking, it seems the logic behind the Bush Administration for initiating the US-India nuclear deal, was Washington's perception of New Delhi's congruent regional and global interests to US in the coming decades. Some elites in Washington believe that gesture was necessary for Indian leaders to feel confident as a trustworthy partner on global level. While, some others argue that the potential geopolitical advantages of the nuclear deal have been exaggerated, and rested on unpredictable global political developments. Yet, proponents still

support the US-India nuclear deal since it has kept India in the nonproliferation mainstream (Kronstadt 2011).

6.5. Trade and Economic Ties

India has shown great economic growth in the last decade, and it is expected that India becomes a global powerhouse over the next two decades. India's high rate of growth and economic success is an example for other South Asian nations to arrive to the understanding that strong economic growth and democracy can be complementary. On the global level, India's ambition to as a great power is in line with its continuous economic success. India's economic growth not only increases the welfare of Indian citizens, but also empowers India to project its power and influence in Asia and universally (Sajjadpour & Pahlevani 2013).

Indo-US bilateral economic relationships grow fast, but modest in absolute terms. India is the twelfth-largest trading partner for US, whereas the United States is India's third-largest after the United Arab Emirates and China (CFR 2011). According to India's Ministry of Commerce and Industry, India's imports from US in the fiscal year of 2012-2013 totaled UD\$ 25,204.73 million and India's export to US in the same year was UD\$ 36,155.22 million. With a total trade of UD\$ 61,359.95 million, there is a bilateral trade deficit of UD\$ 10,950.49 million for India (GOI 2014). The areas of interest for Indo-US bilateral trade are:

According to kronstadt (2011, p. 74), the leading export commodities from US to India:

- Natural or cultured pearls, Precious or semi-precious stones, Precious metals, Metals clad with precious metal and articles thereof and imitation jewelry
- Nuclear reactors, Boilers, Machinery and mechanical appliances or parts thereof
- Electrical machinery and equipment and parts thereof

Top export commodities from India to US:

- Natural or cultured pearls, Precious or semi-precious stones, Precious metals, Metals clad with precious metal and articles thereof and imitation jewelry

- Pharmaceutical products
- Mineral fuels, Mineral oils and products of their distillation

In addition to their merchandise trade flows, the US Foreign Direct Investment (FDI) in India as of March 2011 was US\$ 9.4 billion. On the other hand, India's growth investment in US is among the fastest, and has registered an annual rate of 53% over the past decade to reach about US\$ 4.4 billion in 2009 (Kronstadt 2011). Despite these achievements in two-sided commerce, both countries have a long way to go for higher levels of bilateral trade and investment. For example, while India is close to reach a Free Trade Agreement with the European Union and has already signed a FTA with Japan, South Korea and ASEAN members, no negotiation has begun between India and US (CFR 2011). Thus, on both sides there are serious concerns that need to be addressed in order to arrive at a common understanding. "For the United States, the more pressing issues are intellectual property rights protection, trade in dual-use technology, access to selective Indian markets and India's participation in the US Generalized System of Preferences (GSP) program. For India, the key issues are negotiations of a Bilateral Investment Treaty (BIT), US restriction on the trade in services (including the limited supply of H1-B visas), high-technology export controls and the US farm subsidy program" (Kronstadt 2011, p. 75). These steps seems to be politically challenging to implement, but they are not difficult in nature and hundreds of millions of people will enjoy this in both countries (HF&ORF 2013).

Chapter 7

Findings and Conclusion

7.1. Theoretical Interdependence Findings

This study has attempted to provide a framework for understanding India's dilemma and interests vis-à-vis Iran and the United States by employing political analysis of interdependence. Interdependence could help to understand New Delhi's decisions with regards to Tehran and Washington, in order to lessen its conflict of interests with them. Rising interdependence on the other hand, has generated a new world of cooperation which replaced the old world of international conflict. Thus, there are more diverse and complex sources of power that shape international politics, and national and international interests are more intertwined in the age of interdependence (Keohane & Nye 2012b). India has an ambition to be known as a great power at the regional and international level. To achieve that goal, India needs to develop its economy. For the sake of economic growth, Iran can serve India's energy-hunger with its abundant hydrocarbon resources. In addition, Iran is a big and potential market for Indian goods and Iran can ease the accesses of India to Central Asia's market. On the other hand, the size and volume of Indo-US trade, is much larger than Indo-Iran commerce, and the US is an important high-tech supplier to India. When it comes to geopolitical considerations, India and Iran have a lot in common, including; stability in Afghanistan and Pakistan, and security of the sea lanes in the Persian Gulf and the Indian Ocean. However, India and the US need each other to balance China's rising power and combat terrorism. Furthermore, assistance from Washington is necessary for New Delhi to contain Islamabad.

The world of interdependence is a situation known by reciprocal effects among states or actors in different states. So, a functional interdependence has constraints and costs when it limits the autonomy. In other words, there is an asymmetrical vulnerability between two sides, and asymmetry deriving from the fact that one party needs the benefits of a relationship more than the other (Keohane & Nye 2012b). This could explain New Delhi's limited room of maneuver in voting against Tehran and reducing its oil imports from Iran. Obviously, regarding the status quo at the time, New Delhi benefited more from good relations with Washington, and with a reasonable and calculated cost agreed to vote against Iran in line with the United States. With its votes at the IAEA's Board of Governors, New Delhi secured the Indo-US Civil Nuclear Deal to a great degree in 2008. Conversely, the US enjoys support from New Delhi, as a close friend of Tehran, to strengthen international consensus and pressure upon Iran.

Interdependence is the world of nonzero-sum game, and to analyze costs and benefits of interdependence, we need to understand the relative gains and distributional effects on each side. Yet, it is important to notice that the politics of interdependence also include competition, particularly when great benefits are expected, as in the case of India. Interdependency does not convey a situation where evenly balanced mutual dependency exists. In other words, asymmetries in dependency are the most significant source and leverage of influence for actors to come into a deal (Keohane & Nye 2012b). India is geographically dependent on Iran in order to have access to Afghanistan and Central Asia, and also to have Iran on its side in containing terrorism in Pakistan and Afghanistan. Geopolitically speaking, Iran used its less dependence as a source of power in overall bargaining with New Delhi about Afghanistan withdrawal scenario after 2014. Albeit Iran has political leverage in these regards, India's near term interests could be served better by cooperating with the United States. Washington could influence India immediately by postponing the Indo-US Civil Nuclear Deal or refusing to exempt New Delhi from purchasing Iranian crude. In this regard, US asymmetrical interdependence was a source of power which was successfully used for India's decision about Iran. Washington, with less dependence in Indo-US relations, took advantage of its potential political resources and leverage.

Sensitivity interdependence refers to the degree of responsiveness to costly effects that are forced from outside within a policy framework (Keohane & Nye 2012b). Accordingly, India is sensitive to oil imports from Iran, and by gradual reduction after the US embargo imposed on Iranian crude, India tried to alleviate its sensitivity. In terms of domestic oil consumption, India could not reduce it in a short term (unchanged policy framework), but what India did was to find new suppliers to lessen its sensitivity to Iranian oil. Since it is time-consuming and hard to change India's energy patterns in the short run, the first and prompt outcome of external changes (US embargo on Iranian crude) influenced India's sensitivity. On the other hand, vulnerability interdependence concerns the relative availability and cost of alternatives that actors will face, and the extent to which an actor can suffer the imposed costs by external factors even after policies have been changed. Moreover, vulnerability attempts to realize which actor is able to regulate the rules of the game (Keohane & Nye 2012b). So, sensitivity has mutual effects, while vulnerability is the opportunity costs of disrupting the relationship as a result of difficulty in formulating new policies in short time, like India's geopolitical vulnerability. India might not

chagrin Iranian establishment more than a certain level, because if Tehran decides to stop its regional and security cooperation this would have high expense for New Delhi.

Sensitivity interdependence is less important than vulnerability interdependence in providing power leverage for an actor. That is why the US could not pressure New Delhi more than its sensitivity level and ignore India's vulnerability interdependence towards Iran. Vulnerability interdependence has more political weight compare to sensitivity interdependence. Thus, policymakers in New Delhi carefully speculated India's patterns of vulnerability towards Iran and US at the time of making decision about voting against Tehran and complying with US sanctions on Iran. New Delhi have had to answers to questions like, what can they do, at what cost, and what can other actors do, at what cost, in response. Hence, New Delhi clearly knew its weakness and strength towards each side. Given the hostile relations between Tehran and Washington after the 1979 Islamic Revolution, New Delhi undoubtedly realized it could not change US policies vis-à-vis Iran in general, and towards Iran's nuclear program and subsequent sanctions in particular. Similarly, New Delhi understood that Iran will not mind US unilateral pressures, to a great extent, to stop its nuclear program. Therefore, despite its weakness at the vulnerability level, India took the advantage of its superior hand on the sensitivity dimension. Although India has implemented US embargo on Iranian crude and voted against Iran at the IAEA in line with US, it clearly did not allow Washington to pass the red line which might jeopardize its geopolitical vulnerability towards Iran.

The departure point in analysis of India's interdependence is acknowledging asymmetry, as a source of power, among actors. Existing different scenarios of asymmetrical interdependence among India, Iran and US, made potential room for US and Iran to influence politically over India's policymaking establishment. Passing Iran or the US' threshold by India, the disadvantaged state would likely change the status quo at a considerable price in expense of New Delhi. Subsequently, New Delhi preferred to enjoy a favorable asymmetry of sensitivity from both Iran and the US that had limited discomfort for two parties, rather to please one of them at the cost of its unfavorable asymmetry deriving from vulnerability towards the other one. In an imaginary case, if one of the states had felt threatened by India; it would have increased the cost of vulnerability for New Delhi to redress that situation. For instance, Washington could suspend

the Indo-US Civil Nuclear Agreement and lessen its military and trade ties with India, and Tehran could minimize the level of regional and security cooperation with New Delhi.

In the new world order, where high politics does not have perfect dominance any longer, formulating a coherent and consistent foreign policy on diverse issues and among different areas of interest bears significant cost for a country. Under complex interdependence, a variety of state's goals must be addressed, and considering the lack of clear hierarchy of issues, these goals might be different and not necessarily closely related (Keohane & Nye 2012b). That made drafting a consistent policy and bringing all areas of interest under one umbrella more difficult for India. In case of India, since the distribution of power resources is quite diverse among actors, hierarchy of issues is very vibrant and the linkage between power and outcomes is unclear, so the success of each actor would be more doubtful. United States as a great power has aimed to secure its interests toward Iran's nuclear program by using its leverage upon other states to foster its arbitrary outcome. Using linking instruments, like military strike, was costly in the case of Iran. Consequently, Washington arrived at the conclusion to use a less expensive and more available instrument, like international organizations including IAEA, UNSC and international monetary institutions, to put sanctions on Iran. The US took the advantage of Iran's asymmetrical sensitivity interdependence, such as Iran's dependence to oil revenues and banking system, as a source of power to influence Iran's decision about its nuclear program.

However, Washington was limited by Tehran's geopolitical and energy factors in the case of India. Iran believes that when US policies about Iran's nuclear program was not fully met and attained, Washington politicized Iran's issue by linking it to sanctions. Given the ambiguity and different facets of Indian national interest, top political leaders in New Delhi had a significant challenge to balance their interest vis-à-vis Tehran and Washington. New Delhi had defied its national interests separately and based on different issue areas in response to the United States and Iran. Having a solid understanding of national interest, India has synchronized, prioritized and translated its uneven interdependence interests towards Iran and the United States. India's relation with the United States and Iran is like a great lake with turbulence, but at uniform level. Changes in the volume of flowing water from one part into the lake have a quick influence on the whole body of water and lake.

7.2. Geopolitical Interdependence Findings

Iran's nuclear program has challenged the relationship between Iran and the United States. New Delhi's nuclear diplomacy related to Iran has not shaped in vacuum. In this regard, India's foreign policy cannot be understood sufficiently without knowing the political, economic and strategic interdependence that influence India's behavior. It is therefore important to understand the existing elements that outline the Indo-US and Indo-Iran relationship beside the dynamic nature of Iran's nuclear file (Mahapatra 2011).

Achieving the status of a global power is the most important and ambitious goal pursued by the political leadership in New Delhi. Keeping the economic development at the growth rate of 7-8 percent, as well as achieving a massive modernization of the Indian army, should be interpreted in line with acquiring that status. At this stage, the preferred national policy in New Delhi is to pursue an amicable relationship with Washington to ensure US' "recognition of its global status, to end its nuclear isolation imposed by the international community since its first nuclear test in 1974 and Indo-US Civil Nuclear Deal (2008) was visualized as first step to achieve this goal, to secure India's claim to permanent seat in the Security Council of the revamped UN structure in future, to check the rogue behavior of China and Pakistan towards India and to ensure political stability in West Asia, particularly in the Persian Gulf and Central Asia which is vital for India's energy security and rapid economic development" (Alam 2011, p. 2). On that basis, US' physical presence in the Persian Gulf and Central Asian republics is not only a stabilizing factor for India, but necessary for dealing with challenges of radical militia Islamist, and ensure a continuous and secure flow of hydrocarbon resources and trade of commodities throughout the Persian Gulf, Arabian Sea and Indian Ocean. Notwithstanding the benefits that New Delhi has enjoyed by strengthening its relations with US, India should not become an ally of Washington, like Israel. To preserve its strategic interest, India should not jeopardize its autonomy, which would contradict its national superior goal of becoming a global power.

India has expanded its capabilities to influence the realm of military, economy and international diplomatic. For instance, India's culture and diplomacy are recognized by goodwill in its extended neighborhood. New Delhi has entente with states, which are great of interest for the US, such as in the Middle East, Central Asia and South Asia and also important middle powers,

including Brazil, South Africa and Japan. India's soft power and civil society has made a growing and positive impression on the world. "This included the global spread of its private corporate sector, the market for its popular culture, its historical religious footprint and the example of its democracy and nongovernmental institutions" (CFR 2011, p. 6). On top of that, India is known as the biggest democracy in the world. Despite widespread poverty; inestimable ethnic, religious and linguistic diversity; and foreign and international conflict, India has shown a great commitment and tolerance to democratic values. In the given context, India and the United States have common interests to elevate the objectives of pluralist and secular democracies globally. Thus, rising India as a democratic great power could advance those values worldwide. In addition, geopolitically speaking, having a strong India on its side, makes it easier for Washington to preserve the balance of power in the extended Asian landmass (CFR 2011).

New Delhi's incentives towards Washington are complicated. Given India's heritage and culture and its 'strategic autonomy' policy since Independence, it prefers not to engage in any formal alignment with external powers. India, however, has a principal desire and belief that its moment is at hand to achieve great-power status. Entente with the United States would provide India with further economic growth and development, psychological relief and protection vis-à-vis China and boost India's international prestige. Being a partner, but not a formal ally with Washington, New Delhi can contain domestic anti-American sentiment of the left parties, keep the status of India as a sovereign independent state and avoid 'irritating' a rising China. Finally, New Delhi benefits from getting increased leverage over Washington's policy toward Islamabad (Hagerty 2007).

India had enjoyed Washington's unparalleled power and influence, when asked for specific exemption in accessing the Nuclear Suppliers Group. It is an open secret that such an exemption would have not been granted to India without Washington's support to facilitate its entrance into the nonproliferation mainstream and invigorate its nuclear energy sector. Experiencing Washington's patronage, New Delhi desires to use that for the sake of its national interests in cases such as India's role in the UN Security Council and international monetary institutions. After the US-India Civil Nuclear Deal, US became a sizable supplier of cutting-edge technologies in areas such as commercial, aerospace and defense, which are critical to Indian economic and defense competitiveness. The United States changed some international supplier

regimes to facilitate New Delhi's access to specific technologies (like in defense and aerospace arena) in order to benefit India's legitimate national interests, firms and customers while preserving the original goals of those regimes (CFR 2011). When it comes to China's rising state and balance of power in Asia, New Delhi is an attractive ally and strategic interest for United States (Pant 2013). Yet, India's left parties are seriously concerned about the US intentions in South Asia, and are reluctant to be in a loose coalition with US in order to act as a potential counterweight to American geopolitical dominance (Hagerty 2007).

India is the fourth largest energy consumer in the world, and all estimates indicate that it is very critical for India to keep the pace of energy consumption for the sake of economic growth. With its finite hydrocarbon resources, which may only sustain for two decades, India seriously relies on importing energy to meet its increasing demands. India's dire need to secure and diversify energy resources abroad, reveals the importance of Tehran's friendship for New Delhi. Iran possesses significant amounts of oil and natural gas reserves that make it a reliable partner for the energy-hungry India. Beside its own vast energy resources, Iran is India's gate to energy rich Central Asia and Caspian Sea Region. Having access to Central Asia not only provides India with new sources of fossil fuels, but offers a strategic opportunity to find new trade partners and secure its position as a chief actor in the region, in competition with China. In addition, existing hostility with Pakistan and instability in Afghanistan outline Iran as the sole corridor to India's realization of its regional ambitions (Pant 2013).

At the cost of US military intervention in Afghanistan (2001) and Iraq (2003) that resulted in the collapse of Afghan Taliban and Saddam Husseins' regime, respectively; Iran, as the capital of Shia political Islam, has revived in a large part of the Middle East. However, Iran believes US military presence is the main destabilizing factor in the region. Since the 1979 Islamic Revolution, this negative image of US has grown between Iranian elites due to "unilateral imposition of economic sanctions for last three decades, its doctrine of regime change and demonization of Iran as a part of 'axis of evil', mobilization of UN and other European nations to pressurize Iran to thwart its nuclear ambition and holding the card of use of force alive if diplomacy failed to deliver the desired result" (Alam 2011, p. 3). This tension has amplified for the last decade as a result of Iran's nuclear program. Iran has always claimed that its nuclear program is meant for civilian and peaceful purposes, whereas the United States and other

Western countries have raised questions about Iran's true intentions and its capability to weaponize the nuclear program. For the time being, Iran nuclear profile is a matter of national identity and pride, and none of the governments in Tehran can dismantle this long cherished goal in the near future (CFR 2011).

The deep divergence between India and Iran about the role and presence of US in the region, and the hostile relation between Iran and US, is expected to influence the relationship between New Delhi and Tehran in the foreseeable future. This could be a trajectory for measuring the degree of autonomy of the Indian foreign policy establishment. New Delhi needs to be aware of Iranian concerns about the threat of US presence in the region, and send a message to the political leaders in Tehran that Indo-US ties would not be at the cost of Iran's security. Iranian elites perceive that the Indo-Iran relation has become a hostage to Indo-US ties, and New Delhi has picked the US side whenever it has been under Washington's pressure. In this context, the three New Delhi's votes against Tehran at the IAEA Board of Governor (September 2005, February 2006 and November 2009), along with India's reluctant and slow response to the IPI gas pipeline project, was in line to comply with the US pressure (Sajjadpour & Pahlevani 2013).

While the US pressured New Delhi to curb its relations with Iran, Beijing under a noninterference policy has continued its close ties with Tehran to secure its national energy and strategic interests (Pant 2013). Moreover, Beijing, as a diplomatic partner, along with Moscow, has provided political leverage for Tehran within the IAEA and UN Security Council to stand against pressure from the US (Dadwal 2011). Although China has supported Iran for the sake of its own interests, it has not been under US pressure like India. In the given situation, the bilateral ties with Washington have come at a cost to New Delhi. Thus, continuation of Indo-US relations is required to be fruitful for New Delhi. In the long run, New Delhi cannot afford to endanger its friendship with Tehran to satisfy US' national interests, particularly when it is not confident about US support to establish India as a great power in the international community. Most importantly, becoming a US client state is not only in contrast with India's national interests and pursuit of a higher status, but could raise the voice of domestic factions who are against increasing reliance on Washington (Pant 2013).

7.3. Conclusion

India has constructed a vibrant relationship with the United States for the last decade, which has translated into a strategic partnership between the two countries. On the other hand, India has always been trying to keep its historical strategic relationships with Iran in a healthy shape. New Delhi has decided to follow a de-hyphenated policy towards Tehran and Washington. In this regard, India's foreign policy establishment drafted a 'two countries, two trajectories' strategy. This approach, for the first time, was seriously challenged when New Delhi was negotiating for a Civil Nuclear Cooperation with the US and gas supply agreement with Tehran at the same time. India successfully achieved a Civil Nuclear Deal with the US after years of negotiation and hard bargaining. Meanwhile, India could not settle a final gas deal with Iran, mostly because of US disagreement due to Iran's nuclear program and partly because of the possible difficulties of laying the pipeline through Pakistani territory. The US diplomatic pressure on India aimed to isolate and coerce Iran on the grounds of its nuclear program. It was difficult for New Delhi to sacrifice its energy security, which is at the core of its high economic growth and rising demands for outsourced energy. Later, when a US-sponsored resolution to refer Iran's case to the UN Security Council was introduced to the IAEA Board of Governors, India voted in favor of it. This vote, along with two other votes against Iranian interests, came as a surprise to Tehran.

It is in India's best interest to have entente with Iran and US. Knowing its degree of interdependence, strength and weakness with regards to each side, New Delhi needs to explain clearly its position to elites in both capitals through diplomatic channels. It certainly would require New Delhi to walk on a delicate diplomatic line. It is necessary to ensure Tehran that India is not opposed to Iran's acquisition of peaceful civilian nuclear technology. New Delhi could explain that some in US congress had made their support for the Indo-US Civil Nuclear Agreement, which was in India's supreme national interest, conditional upon India's vote against Iran. In addition, India's vote should not be seen as an anti-Iranian move, while the majority members of IAEA Board, including Russia and China, voted against Iran. On the other hand, India needs to convince policymakers in Washington that their bilateral strategic cooperation should not be at the cost of India's vital national interests with Iran. New Delhi should be assured that Indo-Iran relations would not be construed in Washington, as either India's support for a nuclear Iran, anti-American or pro-proliferation act. Although US pressure, in the form of

sanctions, has complicated Indo-Iran cooperation, it cannot entirely curb India's interaction with Iran.

In addition, the US should realize that India's entente with Iran make it more valuable to Washington, since both can play an important role in the stability of the region, particularly in Afghanistan after 2014. In other words, US could satisfy its regional interest by enjoying New Delhi's proximity with Tehran, where Iran has the upper hand. In the case of any likely rapprochement between the United States and Iran, India could enjoy an outstanding position holding the confidence of both governments in Tehran and Washington. India's energy demands, desire to have an autonomous foreign policy, strategic benefits in securing regional interests and most importantly; keeping the status of a rising power, convey that New Delhi would not fully comply with constant pressure from Washington. Rather, India will pursue a regional partnership to secure its energy needs and stabilize the volatile region, while maintaining a tight partnership with Western states, particularly the United States. In the end, it is India's national interests and not external pressure that prescribe New Delhi's relations with Iran.

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