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info@dsalert.org

"US/IRAN CLASH"



ANOTHER OIL CRISIS FOR INDIA?



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The power of a King lies in his mighty arms...

Security of the citizens at peace time is very important because State is the only saviour of the men and women who get affected only because of the negligence of the State.

- Chanakya

DSA IS AS MUCH YOURS, AS IT IS OURS!



After a long stand-off, the Iranian tanker, Grace 1, has set sail from Gibraltar, heading eastbound, allegedly for Syria. Which is where the root of this crisis lies! Washington tried to prevent the tanker from sailing and in fact asked for it to be handed over. The Gibraltar courts would have none of it, and let it free after weeks in detention. In the meantime it has been renamed Adrian Darya-1, why so is not such a mystery after all given the nature of the crisis.

The US and Iran were headed for a clash since the time President Trump won his elections in 2016. He had let it be known that the globally accepted US-Iran nuclear agreement signed by former President Obama was unacceptable and would be rescinded. He did just that, pleasing nobody other than Israel and Saudi Arabia. It hasn't helped him that Europe continues to stand by the agreement, and it certainly doesn't help him that Iran dodges and manoeuvres its way in and

out of crises, singed but dogged. All of this has enormous portends for the region, the Gulf, Western Asia and beyond.

This is even more so given that the US is now on the verge of negotiating a deal with the Taliban. What was once unthinkable is now an emerging reality, and what was once avoidable is also a reality. This poses a serious diplomatic and economic challenge for India, grappling as it is with a slowing economy and a high fuel import bill. When the economics of trade are based on getting the best value for money, and saving transportation costs, Iranian oil was always a good option for India. Distances involved were less and supplies hardly ever tampered with. And then there was history too.

India, Iran and Russia had sustained the erstwhile Northern Alliance in Afghanistan when the country was under the brutal rule of the Taliban. All three had interests in common when it came to Afghanistan, a country that can and does impact the

security of many in the world. But interests changed over the years, as India was increasingly drawn into developing commonalities with the US. And with that came the additional price of a slowing Indo-Iran relationship. Oil trade and Chahbahar port the primary issues that will pay a price as far as India is concerned in the long run.

Now that Jammu and Kashmir has seen dramatic administrative and political changes, Afghanistan is poised to see something similarly dramatic, and a calculating Pakistan in between India's long term ally in this game, Iran, is increasingly out of the picture. Which cannot be a good thing for India and its national security concerns. Even as the US becomes increasingly insular, there is no reason for India to do the same. For insularity is never good policy when the game is being played in the international arena. Chess moves have long term logic, and cannot be played with short-term agendas. Something that civilisational neighbours should be well aware of!



Manvendra Singh



An ISO 9001:2015 Certified Magazine

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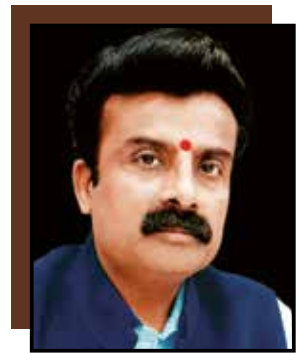
E-mail: (first name)@dsalert.org
 info: info@dsalert.org
 articles: articles@dsalert.org
 subscription: subscription@dsalert.org
 online edition: online@dsalert.org
 advertisement: advt@dsalert.org

Editorial and Corporate Office
 Prabhat Prakashan Tower
 4/19, Asaf Ali Road
 New Delhi-110002 (India)
 +91-011-23243999, 23287999, 9958382999
 info@dsalert.org | www.dsalert.org

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US-IRAN CLASH: ANOTHER OIL CRISIS FOR INDIA?



After the attainment of independence, India has been pursuing a multi-dimensional development game plan to bring happiness and prosperity to its people. For macro development, the most important was to provide the best roads and automobile industrialisation within the country. To keep the nation moving smoothly forward, it was necessary to explore for oil within the country all the while ensuring that demand for fuel was supplemented by supply by imports from extant oil-producing nations like Saudi Arabia, the United Arab Emirates, USA, Iran, Iraq and Venezuela among others. The growth of the economy depended largely on how that demand-supply chain was managed when both pricing and supply were disrupted by geopolitical upheavals.

One such crisis is looming on the horizon caused by sanctions imposed by the US on Iran for pursuing a nuclear programme that has the potential of becoming a nuclear weapon project. The world heaved a sigh of relief when US President Barack Obama signed the agreement with Iran to restrict its capability of creating uranium that can be used to make nuclear warheads. But President Donald Trump kept his election promise to scrap the deal and is now insisting that all nations cut economic, especially oil, ties with Iran and force it into a unilateral nuclear disarmament which Iran is resisting. Tehran is adhering to the original agreement but is showing signs that its patience is depleting by a gradual escalation in the potency of the uranium it is producing in its centrifuges. It has threatened to block the passage of ships carrying oil out of the Persian Gulf and Britain's seizure of an Iranian tanker off Gibraltar in the Mediterranean has triggered an escalation that could tear the world apart.

India has long had to balance its unique centuries-old relations with Shia Iran and the US-supported Sunni phalanx that helped create the Al Qaeda, the Taliban and the ISIS at different points in contemporary history where Afghanistan and later Iraq has been the pivot.

The grant of the Chabahar Port project to India has opened a route for India to directly access Afghanistan and the Central Asia Republics of the former Soviet Union and avoid the trans-Pakistan route which has been blocked since the Kargil War. American belligerence will jeopardise this route and severely affect the Indian economy.

The demand for oil has increased in the past two decades mainly due to the boom in the automobile sector. The consumption of oil has gone very high and that is the reason that imports have been multiplying so much that a major portion of our foreign exchange is spent on the import of oil alone.

Unfortunately, in the past two to three decades, the world affairs have been such that for various reasons India has been in quite a struggle to procure oil for its requirements from its old friends on the globe like Iraq and Iran. The tussle going on between US and Iran is considered to be the biggest threat to the acquisition of oil by India.

Now India's situation is quite complicated by the need to balance its relations with the US, Iran and other countries and that is the reason that India has neither favoured nor opposed either the US or Iran on the current crises. But this situation is going to worsen in the coming weeks if both the countries do not sort it out amicably.

This edition is focused on the current situation between US and Iran and how it can adversely affect India's interests.

I am sure dear reader that you will like this edition.

Jai Hind!

Pawan Agrawal



**US-IRAN CLASH:
IMPLICATIONS FOR INDIA**
LT GEN DALIP BHARDWAJ
PVSM, VSM (RETD)

LOSS OF STRATEGIC AUTONOMY
AMB ASHOK SAJJANHAR

SANE ADVICE MISSING
DR PREM SHANKAR JHA

**ACCELERATE ALTERNATE
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US-IRAN CLASH: IMPLICATIONS FOR INDIA

India is caught in this vortex and would need to tread the thin red line in this tricky situation by maintaining an independent foreign policy and yet insuring a steady flow of oil and the strategic gate way to Central Asia. It is well within our capability.

For centuries the Middle East has been the battleground for creating spheres of influence with the single-minded aim of colonisation and thereafter controlling its oil. During the past few decades, we have witnessed the wrath of the superpowers being unleashed on Iraq, Syria and extending to the flanks to Libya and Afghanistan. Since few years, we have also been witnessing a geo-political flashpoint with the US, Russia, and China jockeying to manoeuvre sectarian conflicts and accentuate tribal hatred to their advantage.

The world's attention is now focussed on the Straits of Hormuz, a 21 km width waterway separating Iran from Oman connecting the Persian Gulf with the Arabian Sea through which the daily oil flow is 21 million barrels of crude oil or 21 per cent of the world's oil consumption. Tensions between the US and Iran have been building up since 1979 when Ayatollah Khomeini overthrew the Shah of Iran who had the backing of the US. Relations deteriorated even further with President Jimmy Carter's botched attempt of

rescuing the US embassy hostages in Tehran and later the much maligned Iran Contra Deal of 1982.

Current Situation

When Iran decided to spread its wings and expand its nuclear programme, Israel and the US felt threatened and hence, in 2006, through UN imposed

sanctions curtailed the export of crude oil. After a number of years of negotiations, President Barak Obama along with five EU nations signed the Treaty of Joint Comprehensive Plan of Action (JCPOA) in 2015 which was ratified by the UNSC. With this treaty, Iran curtailed its nuclear programme and allowed International Atomic



Oil Trade Between Iran and India.

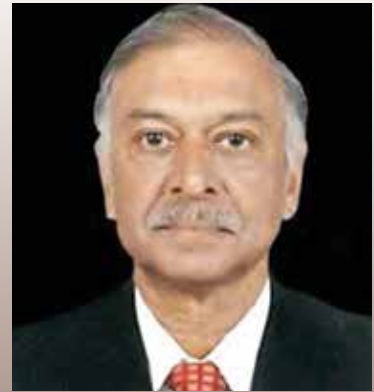
Energy Agency (IAEA) inspectors to be stationed in Iran and verify the same in exchange of all sanctions being lifted. It was hailed as a major breakthrough to bring peace and stability in the region and the world at large. However, the ink had not dried on the treaty and during the US Presidential election race, the Republican Party candidate Donald Trump criticised the treaty as being one-sided and “defective to its core” and pledged that he would have it revoked if elected to power. Hence, with single-minded intent, President Trump has lost no opportunity in attacking Iran and the deal stating it was a rotten deal and Iran was not abiding by its clauses. These statements were not backed by facts as the IAEA inspectors positioned in Tehran certified that none of the clauses regarding enrichment of Uranium had been violated.

In May 2018, President Trump finally exited the US from JCPOA and it was left to the EU signatories to try and salvage the deal or find a way of avoiding the sanctions being imposed by the US. President Trump laid down 12 conditions to be met by Iran to avoid the sanctions or face “the strongest sanctions in history”. These included shutting down its ballistic missile programme, stop aiding Hezbollah, Hamas and Houtis, respect the sovereignty of Iraq, cease support to Al Qaeda and Taliban, cease threatening behaviour towards Saudi Arabia and UAE. It is unlikely that Iran would agree to any of these conditions and therefore, the US’ sanctions taking effect is a reality. The fact remains that the Middle East has always been a volatile region and the differences between the Sunnis and Shias are irreconcilable. Foreign powers intervening in any dispute

have thrived on these differences and exploited them. The Middle East, as a region, is complicated but can one hold only Iran responsible? In the past, US have supported dictators in the region and has complicity involved in destroying nations such as Iraq, Libya and Syria. It has sent weapons, advisors and aid to anti-establishment forces to de-stabilise nations without fully appreciating the nuances of the balance of power between sects and tribes.

The situation in the Middle East is complicated. Saudi Arabia and Israel have a working relationship which has the Hezbollah livid. Turkey and Saudi Arabia are trying to topple Assad in Syria, Saudi Arabia’s clergy is suspicious of Turkey’s efforts in the region to take over the mantle of leadership of the Arab World, Iran’s allies are Syria and Lebanon, and Iraq, under its influence, is lending active support to the Houtis in South Yemen. Qatar and Saudi Arabia are at loggerheads as Al Jazeera supported the Arab Spring that backed Egypt’s Muslim Brotherhood. Saudi Arabia is backing the rebels in Libya against the UN-backed government. Against this backdrop, the destabilising move orchestrated by President Trump has led to an explosive situation.

The threat of sanctions is a reality and so many multi-national companies which have invested in Iran following JCPOA have started to wind up. France’s largest oil company, Total, is withdrawing, so is the Deutsche Bank, the financial institutions of France (BSP) and Switzerland have also reduced their operations fearing the loss of their larger US market. The UK is also involved in negotiating Brexit to



LT GEN DALIP BHARDWAJ
PVSM, VSM (RETD)

The writer is a former Director General of the Mechanised Forces, Indian Army.

pay adequate attention to Iran. Hence, there is “no coalition of the willing” ready to take on the US and oppose the projected sanctions. In January 2019, Germany, France and Britain set up a Special Purpose Vehicle to facilitate legitimate trade between EU countries and Iran; however, President Trump threatened to impose secondary sanctions against any country violating JCPOA.

A flurry of events during the past month led to the escalation of tension in the region. On 13 June 2019, two US oil tankers and four commercial ships were attacked and 44 sailors had to be evacuated by the US Navy. Iran denied any involvement. On 20 June 2019, Iran shot down a US Predator drone utilising an Iranian made surface to air missile. Iran claims that the drone was intercepted over Iran air space, however, US counters the same that the drone was over international waters. In retaliation, US planned a missile attack against Iran’s radar and missile sites which was called off 10 minutes prior to launch by President Trump when he was informed that the end result would be 150 casualties

President Trump laid down **12 conditions** to be met by Iran to avoid the sanctions or face **“the strongest sanctions in history”**



The Chabahar port in the Sistan-Balochistan province is easily accessible from India's western coast and is increasingly seen as a counter to Pakistan's Gwadar port located at a distance of around 80 km from Chabahar.

which he deemed as excessive. In retrospect, Iran demonstrated its capability of countering any foreign aggression. Soon thereafter, President Trump ordered the troop strength in the region to be augmented by 1,000 additional troops. On 4 July 2019, the UK seized Iran's oil tanker "Grace 1" at Gibraltar utilising 25 Royal Marines (allegedly on US' request) which Iran denounced as an act of piracy. In retaliation, Iran took control of a British oil tanker "Stena Imperio" with a crew of 23 members (including 18 Indians) on the pretext that it collided with a Iran fishing trawler and whose distress call it ignored. Britain now claims that it did not seize "Grace 1" but only detained the same pending confirmation of its final port of call, as it was obliged to impose the EU sanctions of preventing oil being shipped to Syria. This argument is unfortunately not legally tenable as the EU sanctions can only be imposed on EU member countries. On 18 July 2019, the US claims that it has shot down an Iranian drone which was denied.

The US further imposed sanctions on Iran's Supreme leader Ayatollah Ali Khamenei and some top generals

of the Revolutionary Guards denying them access to their financial resources and support. These are just cosmetic sanctions as none of these personalities travel abroad. However, the US launched a series of cyber-attacks on Iran's computer systems controlling its rocket and missile launchers. The moot point is what is the final aim of the US? To declare war or to destroy Iran economically or to engineer a regime change? There is no doubt that the sanctions are affecting Iran's common man as prices have sky-rocketed, inflation has increased and their export market dwindled. The citizens are feeling the brunt but the opposite may happen and these hardships further strengthen the spirit of nationalism and polarise the Middle East even further.

India-Iran Bond

For centuries, India and Iran have had a special relationship which in the recent past has been further strengthened. When PM Modi visited Iran in May 2016, both countries agreed to strengthen their relations based on their historical linkage and geographical proximity. The same was reiterated by President Rouhani during

his visit to New Delhi in February 2018. The core relationship is based on strong bilateral trade, crude oil imports and development of the Chabahar port. Iran accounts for 2 per cent of India's foreign trade.

Implications For India

President Trump had agreed to exempt eight countries including India under Significant Reduction Exceptions (SRE) from implementing the sanctions for 180 days. In view of our special relationship with the US, a further extension up to July 2019 was granted as India was busy with elections. Removal of Iran oil as India's energy source does have major implications. In 2018-19, India imported 23.5 million barrels of crude from Iran which amounts to 10 per cent of our energy needs. Iran gives India certain extra concessions such as 60 days credit, free insurance and free shipping. Alternative sources can be found such as Saudi Arabia and UAE or the US, however any spike in crude prices will impact India's oil bill and trade deficit. For every Dollar increase in crude price raises our import bill by \$10,700 crore annually. Therefore, finding a suitable

alternative source will be difficult as the global oil market is tight and all OPEC countries are under pressure especially as Venezuela (another Indian energy source) is facing US' sanctions.

As regards the strategic Chabahar Port which India is building for Iran and was expected to be handed over in July 2019. Project Chabahar is, no doubt, of strategic importance to India as it is the alternative route for all trade to Afghanistan and Central Asia bypassing Pakistan. This is well appreciated by the US also as they too are looking forward to utilise Chabahar to support their troops in Afghanistan. Hence, infrastructure development at Chabahar has not been included as part of the sanctions. Chabahar Port will also strategically counter the Pakistan Port Gwadar next door which has been built with the assistance of China.

The US has refused to renew the SRE issued to the eight countries including India beyond July 2019, this means either stop buying oil from Iran or resort to Rupee payment with banks based in India as has been done in the past. Indian oil companies have stopped placing orders with Iran for oil and have prepared alternative plans for

In January 2019, Germany, France and Britain set up a **Special Purpose Vehicle** to facilitate **legitimate trade between EU countries** and Iran

supply of crude. As the International Energy Agency (IEA) has predicted that the global oil supply will outpace demand in 2019, there is no major cause for worry for meeting India's crude requirement.

The greater challenge is the political aspects of managing relations with the US and Iran. This has placed India in a difficult situation at this juncture with the growing strategic partnership with the US and the strong bilateral ties with Iran. Giving in totally to the US would damage India's image of maintaining an independent foreign policy and strategic autonomy. The bottom line is that India should continue to extract maximum exemptions from the US and maintain a balance, but if push comes to a shove it is unlikely that India would at this juncture weaken relations with the US. As regards Iran, the shortfall in revenue as a result of the sanctions on sale of crude oil could

be off-set to some degree by increasing our commitment in development of additional infrastructure in Chabahar.

Conclusion

The US, under the leadership of President Trump, has created an unnecessary flash point in the Middle East to satisfy his personal ego. It is unlikely that he would embroil the US in a war at this juncture especially with the US presidential elections due in 2020. Therefore, the only alternative is de-escalation by re-negotiating a deal with Iran which would have to be a face saving for both sides, hence, the flurry of back door diplomatic activities. India is caught in this vortex and would need to tread the thin red line in this tricky situation by maintaining an independent foreign policy and yet insuring a steady flow of oil and the strategic gateway to Central Asia. It is well within our capability. **DSA**



Oil Refinery in Iran.

LOSS OF STRATEGIC AUTONOMY

The bottom line is that while India can wait for the easing of US-Iran tensions to resume buying oil from Iran, it is unlikely to undermine its relationship with the US to safeguard its ties with Iran.

Relations between USA and Iran started showing signs of rapid deterioration from the moment Donald Trump assumed power as the US President in January 2017.

It is not as if relations between these two powers were warm and cordial before that. The two countries have been hostile to each other since the 1979 Islamic Revolution, which witnessed the overthrow of the Shah and brought Iran under a clerical regime. After the discovery of Iran's clandestine nuclear programme, the US' focus shifted to preventing Iran from acquiring nuclear weapons. US enacted measures to prevent transfer of material and technology that could help Iran acquire Weapons of Mass Destruction (WMDs).

No formal substantive discussions on Iran's controversial nuclear programme took place till the Presidency of Barack Obama. The US joined the P5+1 (five permanent members of the UNSC plus Germany) effort to curb

Iranian nuclear activities through negotiations. Election of Hassan Rouhani, a moderate, to the Iranian presidency in 2013 led to the opening of direct channels of communication resulting in a breakthrough.

JCPOA Groundwork

On 14 July 2015, the P5+1 and Iran signed the Joint Comprehensive Plan of Action (JCPOA) to restrict Iran's nuclear enrichment activities and prevent Tehran acquiring nuclear weapons capability in the immediate future, in exchange for lifting sanctions. Two important regional countries in the Middle East, Israel and Saudi Arabia, disagreed vociferously.

The victory of Donald Trump, a fierce critic of the nuclear deal during campaigning for the 2016 presidential elections created serious doubts about the continued adherence to the JCPOA by USA. These fears were proved right when on 8 May 2018, President Trump announced the decision to withdraw from the deal. President Trump termed the Iranian regime as "the leading State sponsor

of terror" and argued that Tehran "exports dangerous missiles, fuels conflicts across the Middle East, and supports terrorist proxies and militias such as Hezbollah, Hamas, the Taliban, and Al Qaeda." He also termed the JCPOA as "defective at its core" since it would have allowed Iran to eventually acquire nuclear weapon capability even if Tehran were to fully comply with its provisions.

Iran, on the other hand, continued to abide by the JCPOA but on the first anniversary of the US' withdrawal from the deal on 8 May 2019 warned the other signatories, namely the UK, France, Germany, Russia and China to take concrete measures to reduce the impact of US' sanctions on the Iranian economy in the next 60 days, failing which it might be forced to retract from the agreement. Developments since the US' withdrawal from JCPOA have created serious doubts about its sustainability and have heightened tensions between the US and Iran.

US Comprehensive Sanctions

After withdrawing from the JCPOA, the Trump Administration re-imposed economic sanctions on Iran including

on its export of crude oil which came into full effect on 5 November 2018. However, a waiver was offered to eight countries on importing Iranian oil for 180 days, which came to an end on 2 May 2019. In April 2019, the US decided not to renew the Significant Reduction Exceptions (SREs) or waivers. To further tighten the noose on Iran's sources of revenue, Trump decreed on May 08 to "impose sanctions with respect to Iran's iron, steel, aluminum, and copper sectors," considered to be its "largest non-petroleum-related sources of export revenue". The US also threatened to impose secondary sanctions on entities that engage in business activities with Iranian businesses, sectors or individuals listed under US' sanctions.

These are comprehensive sanctions intended to apply "maximum pressure" on Iran to curb its nuclear, missile and regional military activities, and compel it to seek renewed negotiations with the Trump Administration.

As a consequence, Iran has been facing extreme economic troubles as many international companies that had started doing business in Iran in the aftermath of the signing of the JCPOA in 2015 have left or are contemplating leaving the country to avoid being penalised by the US. Iran's exports have been curbed, causing a decline in State revenues. The Iranian Riyal has devalued leading to a sharp four-fold rise in inflation, estimated at 40-50% in March 2019. This led to widespread protests. President Rouhani has compared the current situation to conditions which prevailed during the 1980-88 Iran-Iraq War.

Military Escalation

In May 2019, after intelligence suggested Iran and its militias were preparing to attack US troops in Iraq and Syria, USA deployed B-52 nuclear-capable bombers, an aircraft carrier strike group, and additional Patriot missile batteries to the Middle East to deter Iran. In June, six oil tankers in or near the Strait of Hormuz were attacked, which US government officials blamed on



AMB ASHOK SAJJANHAR

The writer, a postgraduate in Physics and a career diplomat, has served as Ambassador of India to Kazakhstan, Sweden and Latvia. He has also held several significant positions in Indian embassies in Moscow, Tehran, Geneva, Dhaka, Bangkok, Washington and Brussels. Currently, he is President, Institute of Global Studies and contributes regularly to discussions on international relations, geo-politics and foreign policy.



Prime Minister Narendra Modi with Ex-President of Iran Sayyid Ali Hosseini Khamenei.



Prime Minister Narendra Modi with US President Donald Trump.



The ministers of foreign affairs of China, France, Germany, Russia, the United Kingdom, the United States and the European Union debate with Iran nuclear negotiating team.

Iran. The USA deployed an additional 2,500 troops to the Middle East. Iran threatened that it will block the Strait of Hormuz, a 40 km narrow strip of water lying between Iran and Oman through which 30 per cent of the global energy flows, if it was prevented from using it. Escalating military tension has been matched by increasingly bellicose rhetoric from the two countries. Tensions peaked in late June 2019 after Iran downed a US Global Hawk drone in the Strait of Hormuz. In response, President Trump approved—and quickly cancelled with 10 minutes to go—a retaliatory strike, instead ordering a cyber-attack on Iran's missile systems and imposing new sanctions on Iranian Supreme Leader Ali Khamenei and top Iranian military commanders. Tensions in the region have got further exacerbated by the punitive seizure of each other's ships by UK and Iran. On 1 July 2019, Iran exceeded the JCPOA's cap on uranium stockpiles. Later in July,

the US downed an Iranian drone in the Strait of Hormuz after the drone approached a US Navy ship. Relations between the US and Iran are as tense as they have ever been. Potential for conflict continues to increase.

India-Iran Relations

India has strong civilisational and historical links with Iran. Currently, the core of the relationship lies in strong bilateral trade, crude oil imports from Iran and cooperation in the development and operationalisation of the Chabahar Port. Iran is one of India's major trading partners and accounts for nearly 2.5-3 per cent of its foreign trade.

Energy is the most important component of bilateral trade. Iran contributes significantly to India's energy security. Iran was one of the top three suppliers of crude oil to India for over a decade, except during the period 2011-2015 when it was under international sanctions.

India's oil import dependence rose from 82.9 per cent in 2017-18 to 83.7 per cent in 2018-19. In 2017, India's total crude oil consumption was 222.1 million tonnes (MT) or 4.69 million barrels per day (bpd) and of this, 211.1 MT or 4.24 bpd was imported. In 2018-19, of India's total crude imports of 226.45 MT, 23.9 MT accounting for 10 per cent plus was from Iran. 80-85 per cent of India's overall imports from Iran consist of oil and gas.

India can offer to **Iran to enhance its investments** in the **Chabahar Port development project**

Chabahar Gateway

An extremely significant aspect in bilateral relations is India's involvement in the development and running of the Chabahar Port. India deems the port as a gateway for its trade with Afghanistan and Central Asia. India, Iran and Afghanistan signed a trilateral agreement during the visit of Prime Minister Modi to Tehran in 2016 to develop the port as a transit and transport corridor. India also signed an agreement with Iran committing investments worth US \$85 million for development of the port. In February 2018, when President Rouhani visited New Delhi, a lease contract was signed for operationalisation of Phase-1 of the Chabahar Port underlining the growing bilateral cooperation. The Chabahar Port does not come under US' sanctions and hence, Indian investments and involvement in it will not be affected. Nonetheless, due to sanctions on the iron and steel sector and some Iranian individuals and companies, certain infrastructure development projects such as the Chabahar-Zahedan railway line are being adversely affected. Progress in these projects is getting stymied because of reluctance of Indian and foreign companies to supply the required equipment for fear of US' sanctions.

Impact Of Sanctions On India

US' refusal to renew the SREs issued for eight countries including India meant that Indian companies will either have to stop buying oil from Iran or resort to a Rupee payment mechanism as was done in the past. According to media reports, as of May 2019, Indian oil companies have decided to not place further orders for oil imports from Iran. Indian Ambassador to Washington DC stated in end May 2019 that India had stopped importing oil from Iran after US stopped extending exemption from sanctions with effect from 2 May 2019.

Growing tensions between USA and Iran don't bode well for India not only on account of India's energy dependence on imports from West Asia including Iran but also because of the presence of about 8 million Indian workers and their families in West Asia. Their safety and security are of paramount concern to India. This diaspora is also a source of US \$35-40 billion of remittances every year which play an extremely vital role in India's economic growth and development.

India's Challenges And Options

It is not difficult for India to meet the shortfall in crude oil imports due to US' sanctions on Iran. According to forecasts by International Energy Agency (IEA), global oil supply is expected to outpace demand throughout 2019. Countries such as Saudi Arabia, the United Arab Emirates (UAE) and the US have publicly announced their willingness to help meet the shortfall in crude oil that India might face due to sanctions on Iran.

Therefore, managing the economic aspect of continued flow of oil to India might not be difficult. However higher prices that India will have to pay could lead to increased inflation and social tensions. Iran provides attractive prices and terms for export of its oil to India. These will not be available from other countries. The bigger challenge is the political aspect of managing relations with the US and Iran. If India were to completely stop sourcing oil from Iran, it will affect bilateral relations. Moreover, giving in completely to US' pressure and cutting off Iranian oil imports does not conform to India's pursuit of an independent foreign policy and its endeavour to maintain strategic autonomy. On the other hand, if India were to continue to buy Iranian oil, say by sidestepping US' sanctions, it is likely to impact the strategic relationship with the US.

Today, US is the most significant partner of India in political, strategic, economic and technology spheres. It is a mutually beneficial partnership because in addition to values of democracy, rule of law, etc., there is convergence of interests between the two countries. India needs USA for capital and technology. USA is interested in India's large and growing market. Both countries need to jointly fight terrorism and collaborate, along with other like-minded countries, to balance China's increasing aggressiveness and to make Indo-Pacific a free, open, inclusive and prosperous region.

Given this scenario, India has two options. One is to resort to buying Iranian oil through one or more informal arrangements including devising a Rupee payment mechanism to overcome the sanctions. The second option is to continue negotiating with the US to either secure a formal waiver or to have an informal understanding to buy Iranian oil. The likelihood of the latter is remote given that Trump understands that there is enough oil in the international market and wants to exert maximum pressure on Iran to change its behaviour. In the meanwhile, India can offer to Iran to enhance its investments in the Chabahar Port development project as well as consider initiating other developmental and connectivity projects to strengthen linkages to Afghanistan, the Caucasus and Central Asia. This will help India to not openly challenge the US' policy towards Iran but also ensure that its relationship with Iran is not seriously affected. This will also ensure that it pursues an independent foreign policy. The bottom line is that while India can wait for the easing of US-Iran tensions to resume buying oil from Iran, it is unlikely to undermine its relationship with the US to safeguard its ties with Iran. 



SANE ADVICE MISSING

Today what the world needs is a sane voice to remind it of these basic facts and hold it back from the rush to war. India is the ideal candidate for playing such a role, for it is vast in size, democratic, uninvolved in the ongoing struggle for hegemony between China and the United States, and peaceful. But to do so, it needs to shed its massive sense of its own insignificance and recognise the historic role that it can play. It cannot afford to do nothing.



One of Prime Minister Modi's main election planks in the 2019 elections was his promise to make India strong. But strength has two faces: The first is military power; the second is hegemony i.e. influence exercised without the use of power. PM Modi has been seeking to increase the first, by deepening India's military ties with Israel and the US. But in the attempt to do so he has quietly sacrificed the second.

India's quiet abandonment of its long term ally and friend, Iran, in the face of the most dastardly and lawless violation of treaty obligations by the US, is a case in point. In 2006, when the UN Security Council first imposed sanctions on Iran for concealing nuclear enrichment facilities from the International Atomic Energy Agency (IAEA), India had stoutly opposed them. Throughout the sanction years, it continued to buy reduced quantities of oil from Iran, using Turkey's Halkbank as an intermediary.

This time around, when the US unilaterally broke its 2016 agreement with Iran and the EU, and imposed stiff unilateral sanctions on Iran's oil exports, despite an immediate EU order to its citizens not to observe the sanctions (which has largely been observed in the breach), India made not a single murmur of dissent. Instead, it showed its profound gratitude to the US for



DR PREM SHANKAR JHA

The writer has been Editor of The Economic Times, The Financial Express, and Hindustan Times. He was the Information Adviser to V. P. Singh, former prime minister of India. He has authored many books and has been Visiting Professor of the Indian Institute of Management, Kolkata, Visiting Fellow of Nuffield College Oxford, Visiting Fellow of the Centre for International Studies, Harvard University and is the first holder of the Chair on India's economy, at Sciences-Po, in Paris.

the six-month waiver given to it, by voluntarily reducing its purchases from Iran by 48 per cent even before this period had expired and then not lodging even a symbolic protest when the US refused to extend the waiver period. As an alternative, it quietly went about arranging to replace the rest of the Iranian crude with added purchases from Saudi Arabia and the Gulf States.

The meaning of **safeguarding oil supplies** is utterly unambiguous: it is that PM Modi will not be **averse to unleashing the Indian Navy on Iranian speedboats** should the need arise



President Donald Trump (C), Saudi Arabia's King Salman bin Abdulaziz al-Saud (R) and Crown Prince of Abu Dhabi Mohammed bin Zayed Al Nahyan (L) pose with regional leaders for a group photo during the Arab Islamic American Summit at the King Abdulaziz Conference Center in Riyadh on 21 May 2017. The US, the Arabian Peninsula powers and Israel are stepping up pressure on Iran to curb its regional activities.

With the External Affairs Ministry now largely out of bounds even to accredited correspondents, we no longer know how these decisions were made. But there has been no shortage of explanations by government spokespersons. These run as follows: India now has 7.6 million workers in Saudi Arabia and the Gulf States. Since oil import from Iran has stopped, we are now even more heavily dependent on them than we were before. So, how can we risk antagonising them? Finally, we of course know that Israel is behind the US' sanctions and the turmoil that these have unleashed in our neighbourhood. But since Israel is our primary source of sophisticated weapons for a conventional war, we cannot afford to antagonise it either. Thus, we have no option but to keep deepening our relations with these countries at the cost of our two millennia-old relations with Iran.

Impotence

To offset the impression of impotence that its quiescence has created, New Delhi announced earlier this month that it would send warships to safeguard oil supplies and provide security to Indian nationals working in the Gulf. The justification it has given is that 13 of the crew of the British-flagged ship that Iran impounded last month, after the British Navy seized one of its ships, and four among the 21 injured in a drone attack by the Houthis at a Saudi airport, are Indian nationals. Precisely how these warships will help our nationals in the Gulf and Saudi Arabia is unclear, but the meaning of safeguarding oil supplies is utterly unambiguous: it is that PM Modi will not be averse to unleashing the Indian Navy on Iranian speedboats should the need arise.

The message for people at home is clear: The days of non-alignment and Panchsheel are over: *Hindu Rashtra*

has arrived. India is now aligned with the three most ferociously aggressive countries in the world and is willing to go to war in defence of its vital interests

War Against Iran?

What the Indian public needs to know is that PM Modi is playing with fire. For after Iran's impounding of the *Stena Imperio* on July 19, it will need only the smallest of additional sparks to set off a general conflagration in the Straits of Hormuz and the Red Sea. Were that to happen, India would find itself at war with Iran.

The spark could come from the supreme Revolutionary Council in Iran. Donald Trump's action has vindicated the hardliners within it who had warned Ayatollah Khamenei that the US would not honour any commitment it made. The impounding of the *Stena Imperio* is a clear indication that

Since **oil import from Iran** has stopped, we are now even more **heavily dependent on them than we were before**

President Rouhani and Foreign Secretary Jawad Zarif are no longer in control.

But the spark can equally come from the power struggle in the US between extreme hardliners, headed by John Bolton and Mike Pompeo, who are determined to force regime change upon Iran at any cost, and saner counsel in the Pentagon and Congress that has been exposed by *the Washington Post*. This power struggle brought the world to, within 10 minutes of yet another war, in the Middle East, one that would have been almost impossible to prevent from spreading. Had Pentagon generals not been able to gain access to President Trump barely an hour before the sanctioned strike on the evening of June 21, Trump would not have been able to ask them the crucial questions about its possible fallout that made him decide to call it off at the last minute.


But the threat of war has not ended. Israel and Saudi Arabia continue to hunger for a war with Iran and Israel because it believes that this is the only way to curb the growing threat from the Hezbollah on its northern border. And, Saudi Arabia is bogged down in a war; it is not capable of winning so long as the Houthis continue to get even minimal support from Iran. Within the US, Bolton and Pompeo have immensely powerful supporters in the US Senate, such as Tom Cotton, Lindsay Graham, Marco Rubio and Newt Gingrich.

Iranian Bomb Falsehood

In all this, their hectic denunciation of Iran, there is a cavalier contempt for facts, a disregard for history,

and even for the findings of their own Intelligence agencies that is wearily familiar, for exactly the same cocktail of lies, convenient losses of memory and outright deceit had preceded the attacks on Iraq, Libya, Syria and Yemen. Not even a handful of senators, whether from the Right or the Left has condemned Trump's reneging on the treaty with Iran and warned that it is morally wrong, and does not behove a country that claims the leadership of the world. Not one has warned that a completely unprovoked war, launched by a country after it has broken the international treaty that could have avoided it, will complete the destruction of the international order created over three hundred years from the Treaty of Westphalia till the UN Charter, and take the world back into the state of constant war that the English philosopher, Thomas Hobbes, called the State of Nature.

Finally, in their eagerness for war, the US hawks have conveniently forgotten the December 2012 categorical finding of the US' Congressional Research Service that *Iran could have begun making nuclear weapons as far back as 2003 but deliberately chose not to*. The proof of this was that it had reached the five per cent uranium enrichment level, considered the threshold of weapons development, in 2003 but, nine years later, *had not produced sufficient 5 per cent enriched uranium to yield the U-235 needed for one nuclear bomb*.

Today what the world needs, is a sane voice, to remind it of these basic facts and hold it back from the rush to war. India is the ideal candidate for playing such a role, for it is vast in size, democratic, uninvolved in the ongoing struggle for hegemony between China and the United States, and peaceful. But to do so, it needs to shed its massive sense of its own insignificance and recognise the historic role that it can play. It cannot afford to do nothing. Mahatma Gandhi and Pt Jawaharlal Nehru would have understood that. Now, it is up to PM Modi. 



Benjamin Netanyahu, Prime Minister of Israel.

ACCELERATE ALTERNATE SOURCES OF ENERGY

This makes India's growth vulnerable to any disruptions in the passage of crude through the sea lanes passing through the Gulf. Besides alternate technologies, there is a need to focus on increasing indigenous output of crude. Research on renewable sources of energy also needs a much greater push and a greater inflow of funding. Nuclear energy and hydropower also needs much greater exploitation.

Tension has been simmering in the Gulf for quite some time, specifically due to the strained US-Iran relationship, caused by Iran's contentious nuclear programme, its support to Hezbollah, a Shia Islamist political party and militant group based in Lebanon, which threatens Israel, and its

support to President Bashar al-Assad of Syria and his Arab Socialist Ba'ath Party. Sanctions imposed on Iran were withdrawn after the landmark nuclear agreement between Iran and six countries—the US, UK, France, Germany, Russia and China in 2015 called the Joint Comprehensive Plan of Action (JCPOA), which in turn received support across the globe. But

with President Trump unilaterally withdrawing from the Agreement in 2018 and imposing fresh sanctions on Iran, matters between the two countries have once again come to the boil.

It was President Trump's contention that the JCPOA did nothing to curb Iran's intervention in Syria, Yemen, and elsewhere. While that may be



correct, the deal had a limited focus of curbing Iran's nuclear ambitions and was not intended to limit its broader geopolitical goals. There has been a sense of dismay at the American action, with the former British ambassador to the US, terming President Donald Trump's withdrawal from the Iranian nuclear deal as an act of "diplomatic vandalism" against his predecessor Barack Obama, according to leaked diplomatic cables. Be that as it may, the tense relations have set off a chain of actions which can potentially have grave consequences for the world's energy supplies.

Tankers Attacked

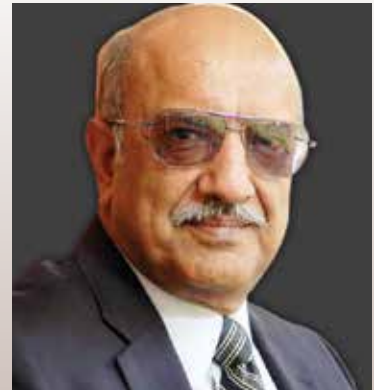
On 12 May 2019, two oil tankers were attacked off the coast of the United Arab Emirates, leaving one ablaze and both adrift. These tankers were flying the flag of Saudi Arabia, one of which was en-route to the Saudi Kingdom to be loaded with crude oil to be sent to the US. Saudi Arabia's Energy Minister Khalid al-Falih denounced the attack as a deliberate act of sabotage, stating that while no lives were lost and no oil was spilled, the incident caused "significant damage" to the two ships. Earlier, UAE officials had alleged that four boats including a UAE flagged vessel had been targeted and Thome Ship Management had stated that one of its Norwegian-registered tankers was "struck by an unknown object". The US pointed the needle of suspicion on Iran or its proxies

and dispatched an aircraft carrier strike group to the Middle East to send a "clear and unmistakable" message to Iran. The US also ramped up sanctions against Iran and designated the Iranian Islamic Revolutionary Guard Corps (IRGC) as a terrorist group. Iran responded by stating that it would roll back some of its commitments to the 2015 nuclear deal.

A month later, on 13 June 2019, two oil tankers, one Japanese-owned and the other Norwegian, were again attacked in the Gulf of Oman, leaving one ablaze and both adrift. The US Navy's Fifth Fleet responded to the distress calls and assisted the tankers, whose crew was evacuated. As the attack occurred along one of the world's busiest oil routes, it led to a surge in oil prices. The US blamed Iran for the incident, with the US Central Command, which is based in the Gulf, releasing a video footage that purportedly showed men on an Iranian boat removing a mine from one of the tankers. Iran promptly refuted the allegation, but regardless of who is behind these attacks, it is becoming increasingly clear that the Strait of Hormuz and the Gulf of Oman are getting weaponised.

Further Escalation

A week into the above incident, the IRGC shot down a US surveillance drone (RQ-4A Global Hawk BAMS-D)



MAJ GEN DHRUV C KATOCH

The author is Director, India Foundation. He has edited / co-edited eight books and writes and talks on national security issues. A recipient of Doctor of Philosophy, Honoris Causa, conferred by the Indira Gandhi University, Rewari, he has earlier served as Director, Centre for Land Warfare Studies (CLAWS), New Delhi.

with a surface-to-air missile over the Strait of Hormuz, claiming it to have violated Iranian air space. The US, on the other hand, claimed that the drone was in international airspace. On 18 July 2019, USS Boxer, downed an Iranian drone off the Strait of Hormuz, which it claimed came dangerously close to the warship and



Any **military action taken by the US** and its allies against Iran could well **push Tehran to widening the conflict**



The strait's narrowest point is 34 kilometers wide, with 3-kilometer shipping lanes in either direction letting just 14 ships enter every day and 14 more exit.

did not heed to warnings to move out of the area. As per US officials, electronic jamming measures were used to take out the drone. The news site *military.com* has stated that the Marine Corps was responsible for bringing down the drone, using a new anti-drone system. A statement made by CENTCOM Commander Gen Kenneth McKenzie, indicates that the US may have shot down a second Iranian drone on 23 July 2019, indicating a ratcheting up of operations in the Gulf.

Iranian Tanker Seized

Adding to the existing tensions in the Gulf, the UK on 4 July 2019 seized an Iranian tanker off the coast of Gibraltar, carrying two million barrels of crude oil, on the grounds that it was carrying the oil to Syria in breach of EU sanctions. The Gibraltar police arrested the captain and chief officer of the Iranian oil tanker *Grace 1*. This prompted a sharp response from Iranian President Hassan Rouhani who termed the act as piracy and warned that the UK would face "repercussions" for the seizure. Those repercussions came on 19 July 2019, with Iran seizing a

British oil tanker, the *Stena Impero*, in the Strait of Hormuz, and briefly detaining a second British ship. The IRGC reportedly carried out the seizure on the grounds that the tanker had "violated three international naval regulations," including turning off a GPS locator, breaking the traffic pattern in the Strait of Hormuz and polluting the water by dumping crude oil residue. The message being sent by Iran to the world is clear: Iran has the ability to threaten the flow of shipping out of the Persian Gulf through the narrow Strait of Hormuz.

Importance Of Strait

Conflict in the Gulf serves little purpose as it would only serve to cripple the world's economies which are dependent on energy flows from the region. The situation is thus worrisome for the world and especially for India. The channel accounts for a fifth of the world's oil supply, a quarter of the Liquefied Natural Gas, and US \$500 billion in trade every year. The

countries which lie along the Persian Gulf and share the Gulf coastline are Iran, Iraq, Kuwait, Bahrain, Qatar, United Arab Emirates (UAE), and Oman, all of whom are energy rich and export oil and petroleum products. Consequently, the Gulf has emerged as a major trade route through which most of the oil exported from these countries flows out. The Strait of Hormuz is a choke-point between the Gulf and the open ocean, being bounded by Iran to its north and the UAE and an Omani enclave to its south. At its narrowest point, the Strait has a width of just 34 km. It opens to the Gulf of Oman and from there to the Arabian Sea. A third of crude oil exports transported via ships pass through the Strait, which makes it the world's most important oil artery.

On an average, 20.7 million barrels per day (bpd) pass through the narrow Strait of Hormuz, of which 17.3 million bpd is crude and condensate products and 3.3 million bpd is petroleum products. (<https://www.eia.gov/todayinenergy/detail.php?id=39932>). This accounts for 21 per cent of the world's exports. Alternate data provided by Vortexa, an energy analytics firm states that 22.5 million bpd passes through the Strait of Hormuz on average, which is 24 per cent of daily global oil production and nearly 30 per cent of oil moving across the world's oceans. Any disruption to this supply will have serious consequences on the world's economy and while some countries will be affected more than others, the mere fact that we are living in a globalised world, every country will be deeply impacted. India's total imports (till June 2019) were 83,908,500 barrels of crude oil products of which 2/3 of crude oil and 1/2 of Liquefied Natural Gas (LNG)

The interest of all **Asian economies too coincides**

passed through the Strait of Hormuz. That defines the criticality of conflict in the Gulf for India. China, too, stands critically affected. In June 2019, it imported 9.63 million bpd, 44 per cent of which passed through the Gulf.

With the Gulf getting increasingly weaponised and rapprochement between Iran and US not visible on the horizon, it could take but a spark to trigger off a limited war on the high seas, impacting upon trade routes and halting the flow of energy resources. Such a scenario has played out earlier in the 1980s, during the Iran-Iraq War. Iraq first targeted Iranian fuel carrying ships in 1981, using jet aircraft. Iran responded in 1984, using a combination of means to include speedboats, sea mines, anti-ship cruise missiles and naval gunfire, to target Iraqi vessels carrying fuel. The Gulf Waters were thus turned into a war zone, with a total of 340 ships being attacked and over 30 million tonnes of shipping damaged

during the period 1981-1987. The US' intervention in 1987 led to the conflict subsiding but only after Iran developed and demonstrated capability to attack any vessel that passed through the Strait of Hormuz.

Trade Routes In Danger

Any military action taken by the US and its allies against Iran could well push Tehran to widening the conflict and choking the trade routes across the Strait. It could even spill over to a wider war where Iran targets Saudi assets, thereby crippling oil supplies across the world. That is a scenario best avoided and one which India, along with like-minded countries, must work towards circumventing. India has tremendous goodwill with both Iran and the US and could use its influence to prevent matters from slipping out of control. Here, the interest of all Asian economies too coincides. By 2020, Asia will account for half of the world's GDP. A crippling of the Asian economies caused by oil shortages would have serious impact

across the globe. Even a limited conflict will push up global oil prices, adversely impacting on growth.

Alternate Energy

As a long term measure, India needs to reduce its oil consumption through alternate technologies. India's dependency on oil imports is about 85 per cent of its overall requirement, and much of this is sourced from the Gulf. This makes India's growth vulnerable to any disruptions in the passage of crude through the sea lanes passing through the Gulf. Besides alternate technologies, there is a need to focus on increasing indigenous output of crude. Research on renewable sources of energy also needs a much greater push and a greater inflow of funding. Nuclear energy and hydro-power also needs much greater exploitation. A whole of government approach would be required to enhancing the nation's energy security to reduce the impact which oil shortages or oil shocks may cause in future. **DSA**



Gulf Coast Refineries.

OPTIONS AND WAY OUT FOR INDIA

India must join hands with other oil import dependent countries to persuade and cajole Saudi Arabia, UAE, Qatar, Kuwait and Oman to build land based oil and gas pipelines traversing territories of all these countries and terminating at one of the Omani ports on its Indian Ocean coast to ensure uninterrupted oil and gas supplies.

Iran and the five permanent members of the United Nations Security Council—USA, Russia, China, France, UK—plus Germany, together with the European Union signed the Joint Comprehensive Plan of Action (JCPOA), hereafter Iran Nuclear Deal, at Vienna on 14 July 2015. International Atomic Energy Agency (IAEA) was tasked to monitor and certify Iran's compliance with the obligations enshrined in the deal and has been certifying that on a regular basis. Despite this, US President Donald Trump inexplicably withdrew USA from the deal and re-imposed sanctions on Iran which were in force before July 2015. Iran's oil exports have fallen drastically because of fear of secondary sanctions on oil importing countries. Other

signatories of the JCPOA are trying to salvage the deal. India has had to stop importing oil from Iran casting a shadow on bilateral relations that go beyond oil. Although the apprehensions about oil price spike in the wake of sanctions on Iran and Venezuela have not materialised due to weak global sentiment about economic growth, this can change very quickly if the US-Iran standoff leads to a regional conflict, even if accidentally or because of miscalculation on either side. India has to simultaneously ensure its energy security and play a role, jointly with other stakeholders, for defusing the tense situation and resolution of the issue. The question, however, remains – why did USA walk out of a deal that had effectively capped Iran's nuclear ambitions?



Iranian public opinion considers the **US untrustworthy** and is **against any negotiation** with it

Trump's Adamancy

Trump Administration, much against the counsel of many politicians and members of the past and present administration, as also leaders of the other signatory countries of JCPOA, withdrew from the nuclear deal on 08 May 2018 on the grounds that it was a one-sided deal that would not ensure Iran's denuclearisation. Critics of the decision argue that since the JCPOA was not a treaty but an agreement between several countries, it had no formal provisions for withdrawal, but a member of the deal could stop complying with its obligations and that applies to Iran as well. The EU maintained and does so till date

that the deal is, and will, continue to be in place. Other signatories to the deal also expressed their disquiet on Trump's decision. Be that as it may, most of the countries have, even though grudgingly, stopped importing oil from Iran.

As an afterthought several reasons were articulated and demands made that inter-alia included stricter monitoring of nuclear activities; curbs on ballistic missile programme; ending support to Iran's regional allies such as Houthis in Yemen, Syrian regime and Hezbollah in Lebanon. But at the heart of the problem is the contest between Saudi Arabia and Iran for hegemony in



RUMEL DAHIYA

The author is a Strategic Analyst and a former Deputy Director General, Institute for Defence Studies and Analyses, New Delhi.



Iran's top nuclear negotiator Abbas Araqchi and Secretary General of the European External Action Service (EEAS) Helga Schmit attend a meeting of the JCPOA Joint Commission in Vienna, Austria.



President Donald Trump and Vice President Mike Pence with four men who would be out of the administration: Chief of Staff Reince Priebus, Chief Strategist Steve Bannon, Press Secretary Sean Spicer, and National Security Adviser Michael Flynn.

West Asia. Israel's increased influence during Trump Administration and historic baggage of events preceding and following the Iranian Revolution, besides unfavourable outcome of conflict in Syria and Yemen have added to the reasons for imposing the sanctions. Other drivers were: Trump's domestic agenda centred on re-election to include his desire to discredit Obama's legacy; bolstering his support amongst conservative vote bank; and, support the US arms lobby that sells billions of dollars' worth of weapons to rich Gulf Arab States. Gestalt of all these factors seems to have influenced the decision. In reality, of course, there is no real American vital interest relating to Iran is involved. Iran has been under US' sanctions almost uninterruptedly since 1987 although the severity has varied from time to time.

India's Problem

India's dependence on imported oil has crossed 80 per cent. Uninterrupted availability of energy resources at reasonable prices is essential for growth of Indian economy. It has been taking up its concerns about oil supply and price stability with the large oil producers. The supply cuts have coincided with weakening demand due to concerns about global economic growth and the prices have moderated after an initial spike after the sanctions came into effect. Availability of oil has also not been affected so far since oil from USA has largely replaced that previously imported from Iran. These imports also help reducing trade imbalance between India and USA, a pet peeve of Trump.

Strategic Indo-Iran Relations

Energy, however, is not the only vector of India-Iran relations. Besides being neighbours, the relations between the two are based on history and culture as well as geo-strategy. Iran is the gateway for India's connectivity with the Central Asian Region (CAR) and Afghanistan. India's investment and engagement in the Chabahar Port and International North-South Transport Corridor (INSTC) are essential components of its outreach that are impacted. Iran had also offered India's ONGC Videsh Limited (OVL) a stake in its Farzad B gasfield which may get developed only after sanctions are lifted. While energy trade has been halted for the time being, Iran will certainly become a major source of

crude oil for India once sanctions are eased. Rise in petroleum prices is more problematic in times of global economic slowdown as at present. India's concern is that continued standoff should not turn into an armed conflict by accident or miscalculation that would certainly lead to sudden spike in energy prices.

Switch To Electric

Oil, being a global commodity, any reduction in supplies from one country affects overall availability globally. Besides, oil prices are impacted not just by demand-supply mismatch but also by prevailing sentiment. Any apprehension of conflict involving oil producing regions also affects prices. The global oil prices have fallen significantly in the month of August despite the fact that consumption in India increased during the year while supplies from Iran and Venezuela came down very significantly. This is a function

of global economic uncertainty in the face of ongoing US-China Trade War and visibly slowing economic growth thus affecting sentiment. A long term trend of auto industry moving to electric vehicles faster than expected is also influencing the sentiment. The Brent crude prices have declined from recent high of \$67 to \$56.23 a barrel on 08 August 2019, a drop of about 20 per cent from its peak during the year. The price though rebounded to US \$59 per barrel on August 15.

One of the world's biggest car parts makers, Germany's Continental AG, has announced that it would

cut investments in conventional engine parts due to faster than expected fall in demand as major auto makers accelerate their shift to electric vehicles. Auto makers in India such as M&M and Tata Motors have already announced shift to electric vehicles sooner than expected. Biggest shift is expected in Europe driven by tough limits on greenhouse gas emissions. By the year 2030, the share of gasoline and diesel engines is expected to fall to 42 per cent in Europe and to 50 per cent in China. If this trend persists the energy market is likely to become a buyer's market in next decade or

The **world's biggest car parts maker** would **cut investments in conventional engine parts** as major auto makers accelerate their **shift to electric vehicles**



Tesla Electric Cars.

so. Despite this benign scenario, geopolitical tensions are likely to remain high in the Middle East, which could weigh on prices.

Iran Feels The Pinch

Various estimates suggest that Iranian oil exports have dropped drastically in July 2019 to as low as 100,000 barrels per day (bpd). The quantity held on tankers in storage and tanks on land is estimated to have crossed 100 million barrels. Iran is suffering the economic and social consequences of US' sanctions and is trying to find a way around them by engaging with the other member signatories of JCPOA. Its actions against foreign oil tankers in the Persian Gulf have been limited and measured. Obviously, Iran does not wish to cross the threshold beyond which JCPOA signatories other than USA start distancing from Iran and punitive strikes from USA become unavoidable. There are a number of reasons why USA also will refrain from going beyond economic sanctions. War with Iran would draw its forces from great-power focus – meaning China and Russia. Trump also has to weigh the political cost he may have to incur during his re-election bid in 2020 if he sends sizeable number of US troops to fight Iran. That would also be a restraining factor. Besides, any military action against it will force Iran to abandon the JCPOA causing greater consternation in the region and beyond. Iran may then conclude that going nuclear, though costlier, is the only viable option it has to ensure its long term security. Most countries have stopped importing oil from Iran in order to mitigate risk of secondary sanctions from USA. However, further disruption of energy supplies passing through the Strait of Hormuz and consequent spike in prices has the potential of making them reconsider their stance thus unravelling the sanctions regime.

Dialogue Improbable

Though both sides have indicated their willingness to talk, the attempt does not appear serious probably because presently there is a self-created diplomatic capacity constraint in the US and both sides have nothing to offer to each other by way of concessions. Iranian public opinion considers the US untrustworthy and is against any negotiation with it. Any strategy aimed at changing the regime under external pressure is doomed to fail. Iran is attempting to gain a moral high ground by not walking away from the nuclear deal. But its economy is hurting. It hopes that the other signatories and major oil buyers such as India will find a way around the sanctions that would keep Iranian economy running till either Trump finds it necessary to ease up on sanctions or his Democrat challenger wins the next election. If Iran is punished for continued adherence to the deal, it will have no reason to restrain its nuclear ambition

India does not have a solution to this problem but its interests are affected by it. Until May 2019, India was the second-largest buyer of crude oil from Iran, after China, having purchased roughly 479,500 barrels of crude oil per day from Iran during the fiscal year that ended in March 2019. But after the US ended its sanctions waiver, which had allowed India to import Iranian crude oil, the off-take has almost ended and gone with it are the lucrative provisions such as free shipping and extended credit. For the present, despite Iran-US tensions and supply constraints, crude supplies have not being affected and prices continue to be soft. India has received assurances from other suppliers that its requirements will continue to be met.



India would naturally want to avoid taking sides between USA and Iran. But it needs access to foreign technology and markets. That is available from US and not from Iran. It is easier to find alternate sources of energy but technology and market are more difficult to access. India also has to balance its relations with the Gulf Arab States, home to a huge Indian diaspora remitting about US \$40 billion a year as also with a much bigger trade relationship. But continuing tensions in the Strait of Hormuz and the surrounding region are a cause for concern for India.



Iran is ready to build the onshore stretch of a major gas pipeline project that would transfer natural gas from the Persian Gulf to Oman South of the Sea of Oman, said the chief executive officer of the National Iranian Gas Company.


Maelstrom In Regional Geopolitics

Trump Administration's so-called maximum pressure policy against Iran is a significant irritant in US-India relations. The US' sanctions regime has affected India's relations with Iran, where it has important strategic and economic interests. Indian oil companies are now wary of doing business with Iran, and foreign companies, including those from Europe, are refusing to participate in the Chabahar project, slowing its development. Energy availability does not appear to be an issue for the near and medium term. Instability

in the Gulf is a major worry. Getting relations with Iran back on track, getting momentum on Chabahar, etc. will take time. India is not taking sides at its own volition but has no choice. The biggest challenge for India is to maintain its Middle East policy that has traditionally tried to balance the three poles in the region: the Arab Gulf States, Israel and Iran.

Gulf-avoiding Supply Lines

Saudi-Iranian rivalry is here to stay for many years till one achieves overwhelming asymmetry over the other, and that seems unlikely considering possession of various

elements of national power by both. And till that rivalry sustains frequent bouts of regional security uncertainty and threat to energy supplies through the narrow Strait of Hormuz, through which one fifth of global oil supplies pass, will persist. India must join hands with other oil import dependent countries to persuade and cajole Saudi Arabia, UAE, Qatar, Kuwait and Oman to build land based oil and gas pipelines traversing territories of all these countries and terminating at one of the Omani ports on its Indian Ocean coast to ensure uninterrupted oil and gas supplies. 

ABOLISHING ARTICLES 370 & 35A MARKS NEW ERA

Every conflict between two states has a historical background and it is quite important to know this historical background before we review the whole current scenario in Jammu and Kashmir. I would like to mention these facts about Jammu and Kashmir here to start with for dear readers who may not be aware of them and it is very important to understand the whole problem of this integral part of India.

Jammu and Kashmir was created under the Treaty of Amritsar between the East India Company and the then ruler of Jammu Raja

Gulab Singh, a Hindu. The entire Kashmir Valley which was dominated by the Muslims was bought by this ruler for a price of INR 750,00,00 in the year 1846. It was merged with Jammu and Ladakh which were then under his rule. With this merger a new state was created which we know today as Jammu and Kashmir. His successor, Maharaja (King) Hari Singh, continued the dynasty in this state but in 1931 a movement was started against him in the Kashmir Valley on grounds that the Muslim population, which was the majority in the valley, did not have adequate representation in the state services at that time. Also, the fact that the ruler was a Hindu scion of the Dogra clan irked the Muslim majority in the valley.



Maharaja (King) Hari Singh.

Political Move

In 1932, Sheikh Mohammad Abdullah, the grandfather of the current Chief Minister of Jammu and Kashmir Mr Omar Abdullah, represented the All Jammu and Kashmir Muslim Conference in its agitation for the Kashmiri freedom from the Maharaja's rule. In April 1932, the Maharaja appointed the 'Glancy Commission' to look into the grievances of Muslim subjects and asked for recommendations for an adequate representation of Muslims in the state services. These agitations continued for several years under the leadership of Sheikh Mohammad Abdullah. Finally in 1946, a Quit Kashmir movement was born demanding the abrogation of the Treaty of Amritsar and restoration of

sovereignty. Sheikh Mohammad Abdullah was arrested for this agitation.

Jammu and Kashmir – the moment we hear this name our memories transport us to the lush green meadows bedecked with tall, swaying Chinars, enchanting lakes and snow-capped mountains but it is so unfortunate that the environment has been tarnished in the past 30 years by Pakistan's instigation of terrorism and the use of *jihadist* proxy warriors drawn from its tribes posturing as "indigenous Kashmiris" seeking "independence" from India. These words are highlighted because it camouflages a rogue State's attempt at annexing more portions of India and fooling the Kashmiris who



PAWAN AGRAWAL

The writer is Publisher and CEO of Defence and Security Alert (DSA), magazine from India. Associated with the family business of publishing for past 30 years as the Group CEO of Prabhat Prakashan.



Two former Chief Ministers of J&K Dr. Farooq Abdullah and Omar Abdullah.

have very definitively refused to merge with Pakistan. If granting "independence" to Kashmiris was Pakistan's true intention, it could have declared Pakistan-occupied Kashmir (PoK) an independent entity instead of assimilating it into its hegemony and forcing its peoples into enslavement by the Chinese. It has been using terrorism as a tactic of State policy as is evident from the complaints heaped on its doors by India, Afghanistan and Iran.

Jammu and Kashmir (J&K) has always been hitting the headlines in the news for more than 70 years after India got freedom in 1947 and two independent entities – India and Pakistan – were created by the then British Government. Immediately after the independence, the new government in India began to integrate hundreds of princely States into a unified nation. Jammu and Kashmir too was given the option to join either India or Pakistan (it needs to be emphasised again that independence was not an option).



Kashmiri students shout slogans as they throw pieces of bricks and stones towards the personnel of Indian forces during a protest in Srinagar.

International Support

Pakistan joined SEATO (South East Asian Treaty Organisation) in 1954 and later joined CENTO (Central Treaty Organisation) in 1955. At the same time, India moved closer to USSR which was start of a new era in Indo-Soviet relations. India received large measure of defence support from Soviet Union and this was a big reason that India also received overwhelming support from Soviet Union in the UN Assembly as they had their Veto Power which was used in 1962 in the UN Security Council Resolution on Kashmir in favour of India.

Partition And Pakistani Aggression

But unfortunately, the then ruler of J&K Maharaja Hari Singh did not accept this offer of Indian government and decided to take their independence path. Capitalising on the ruler's prevarication, Pakistan organised the tribals of the former

North-West Frontier Province under the command of its regular army officers and invaded the princely State of Jammu and Kashmir. It was not until the tribals had reached the gates of Srinagar that Maharaja Hari Singh agreed to sign the Instrument of Accession to India and sought military assistance to throw the invaders out.

The first Indo-Pak War took place because of the accession of the princely State of Jammu and Kashmir to India and resulted in a ceasefire with a front solidified along the Line of Control (LoC). Further there were

more wars between the two countries in the years 1965, 1971 and the last one happened in Kargil in the year 1999. Here, it would be good to mention that after the 1971 War, both governments agreed on a common agenda to release the tension in the region and an agreement was signed by the then Prime Ministers of the two countries which is well known as the Simla Agreement. Though this agreement existed but it was quite unfortunate that Pakistan again launched a war against India in 1999 by attacking Kargil in the Jammu and Kashmir region.

Article 370 was worked out in **late 1947 between Sheikh Abdullah** who had been appointed as the **Prime Minister of J&K** by the **Maharaja and Nehru**

Article 370

Article 370 was worked out in late 1947 between Sheikh Abdullah, who had been appointed as the Prime Minister of J&K by the Maharaja and Nehru, who kept the Kashmir portfolio with himself and kept Sardar Patel, the then Home Minister, away from his legitimate function. Article 370 embodied six special provisions for Jammu and Kashmir:

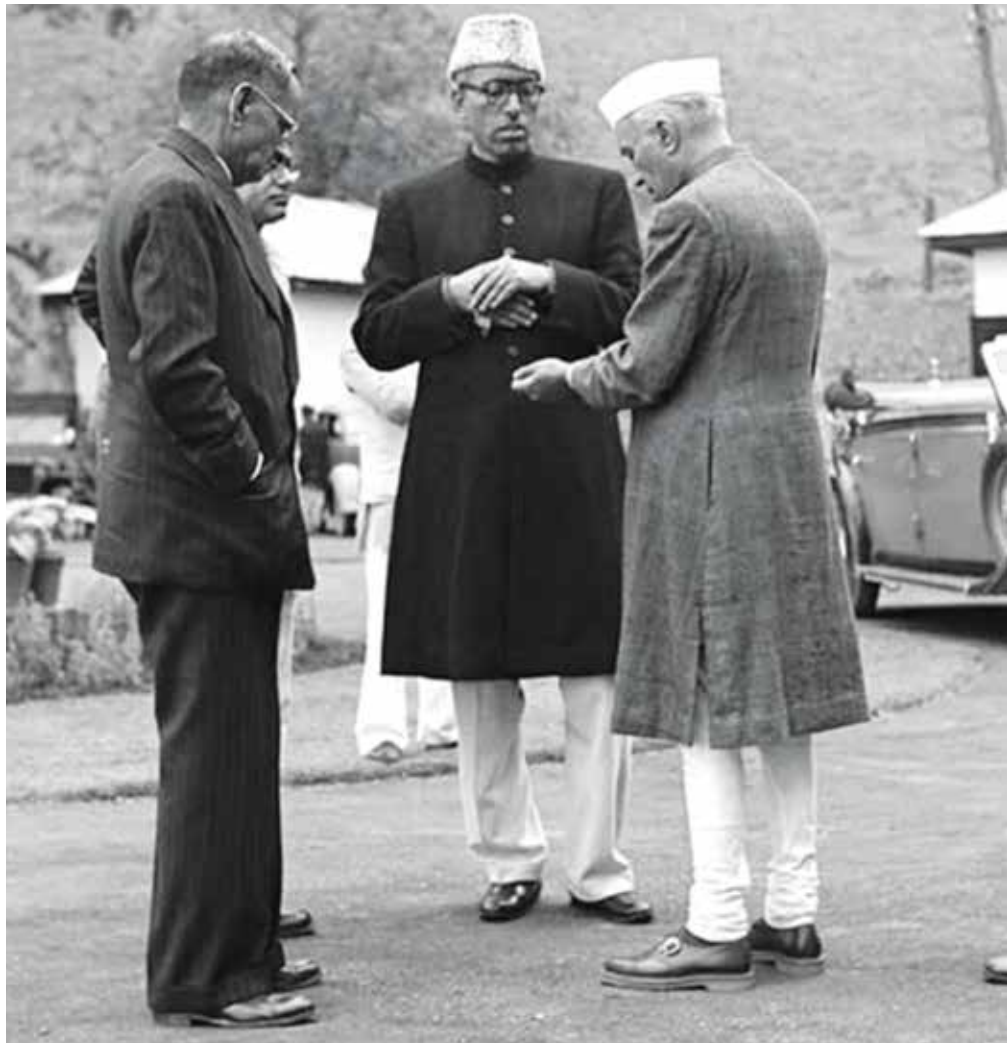
1. It exempted the State from the complete applicability of the Constitution of India. The State was allowed to have its own Constitution.
2. Central legislative powers over the State were limited, at the time of framing, to the three subjects of defence, foreign affairs and communications.
3. Other constitutional powers of the Central Government could be extended to the State only with the concurrence of the State Government.
4. The 'concurrence' was only provisional. It had to be ratified by the State's Constituent Assembly.
5. The State Government's authority to give 'concurrence' lasted only until the State Constituent Assembly was convened. Once the State Constituent Assembly finalised the scheme of powers and dispersed, no further extension of powers was possible.
6. The Article 370 could be abrogated or amended only upon the recommendation of the State's Constituent Assembly.

The Presidential Order of 1954, officially The Constitution (Application to Jammu and Kashmir) Order, 1954 came into force on 14 May 1954. Issued with the agreement of the State's Constituent Assembly, it was a comprehensive order seeking to implement the 1952 Delhi Agreement. Arguably, it went further than the Delhi Agreement in some respects.

Delhi Agreement

The provisions of the Delhi Agreement were:

1. Indian citizenship was extended to the 'permanent residents' of Jammu and Kashmir (formerly called 'state subjects'). Simultaneously, the Article 35A was added to the Constitution, empowering the State Legislature to legislate on the privileges of permanent residents with regard to immovable property, settlement in the State and employment.
2. The fundamental rights of the Indian Constitution were extended to the State. However, the State Legislature was empowered to legislate on preventive detention for the purpose of internal security. The State's land reform legislation (which acquired land without compensation) was also protected.
3. The jurisdiction of the Supreme Court of India was extended to the State.
4. The Central Government was given power to declare any National Emergency in the event of external aggression. However, its power to do so for internal disturbances could be exercised only with the concurrence of the State Government.



Prime Minister of India Jawaharlal Nehru with the then Prime Minister of J&K Sheikh Mohammad Abdullah and the then Cabinet Minister N Gopalaswami Ayanagar (left) in Srinagar in May 1948.

In addition, the following provisions which were not previously decided in the Delhi Agreement were also implemented:

1. Financial relations between the Centre and the State were placed on the same footing as the other States. The State's custom duties were abolished.
2. Decisions affecting the disposition of the State could be made by the Central Government, but only with the consent of the State Government.

And then this Article 370 became a curse for the people of J&K as well as for the rest of the whole Indian community due to the limitations of these two articles. Because of these special provisions none other than the people of J&K were allowed to buy any land or houses and thus deprived the

entire State for so many decades of any development and progress. Over decades no investment could take place and thus no industry could be established for job creation for the local youths and the revenue could not be generated which is required for development of any region. This continued for almost 40 years and then suddenly the militancy increased in the region and almost the entire Kashmir Valley got affected by this militancy killing almost 42,000 innocent people in the State.

Ethnic Cleansing Of Pandits

More than five lakh people known as Kashmiri Pandits had to leave the Valley overnight in the year 1989 when their women were gang raped, their children were killed, their houses were burnt and they had no choice left with them other than to migrate from their own land. All this was organised

by a section known as Hurriyat who were the local small-time politicians in Kashmir Valley who had direct connectivity with the Pakistan Army, its Inter-Services Intelligence (ISI) and the Pakistan-trained terrorist groups.

All these things happened and unfortunately, the State government and the Central government of India could not do anything only because of the Articles 370 and 35A. Since the law and order was under the jurisdiction of the State government and the Central government did not have powers or it did not use the powers to control the situation due to the political compulsions. Moreover, due to this soft view towards the Hurriyat gang who actually provoked the youth in the valley to indulge in stone pelting. Stone-pelting became a cottage industry and it became a means of earning for the youth in the absence of secured jobs



Kashmiri Pandits stage a demonstrations in different parts of India.

for their livelihood. There have been months when curfew was imposed in whole of the Kashmir Valley due to the disturbance.

But finally in the morning hours of 5 August 2019, the government brought a Bill in the Indian Parliament's both houses: Upper House and Lower House to abolish Articles 370 and 35A. But before this the Central government had to make all necessary security arrangements. This it ensured by inducting a large number of army and other para-military troops along the LoC and inside the Kashmir Valley. Simultaneously, all the communication network services were suspended for an undeclared timeframe. It effectively stymied the operations of the obnoxious Pakistani ISI and Kashmiri Hurriyat nexus.

Benefits For The Union Territories

With the abolition of these Articles the following benefits could accrue to the new Union Territories:

- As the new Union Territory of Jammu and Kashmir will be subject to the Indian Constitution, its citizens will now have the Fundamental Rights enshrined in that document—until now, this was not the case. Article 360, which can be used to declare a Financial Emergency, will now also be applicable.
- All laws passed by Parliament will be applicable in Jammu and Kashmir, including the Right to Information Act and the Right to Education Act.
- The Indian Penal Code will replace the Ranbir Penal Code of Jammu and Kashmir.
- As the government has modified the Article 370, diluting special status to Jammu and Kashmir, Article 35 (A), which originates from the provisions of Article 370 stands null and void. Children of a

More than **five lakh people** known as **Kashmiri Pandits** had to **leave the Valley overnight** in the **year 1989**

woman marrying outside Jammu and Kashmir will not lose property rights.

New Challenge In Kashmir


The next challenge is to develop trust and confidence among the people. Jammu and Kashmir was also declared as a separate Union Territory and Ladakh another separate UT. With this a new era has emerged in J&K and I am sure that as per the vision of our Prime Minister Modi, things are under control in the region. Still, there are many threats from our neighbour Pakistan which is completely shattered after this drastic geopolitical change effected by India. Its spurious claims to Indian Territory have suddenly been undercut and its perfidy in the implementation of the Shimla Agreement has found resonance in the United Nations where nations are now more wary of the *jihadi* agenda of the rulers (both elected and those selected by the Pakistan Army). A resounding rebuttal came from the notorious Taliban underscoring how ground realities are changing in this part of the world.

The recent remarks of Pakistan's Prime Minister Imran Khan in the Parliament showed how bad they are feeling after this change. Their acts of downgrading the Indian diplomatic representation; the suspension of all commerce, the closure of train and bus services are intended to instigate its minions in Jammu and Kashmir to take to the streets again. Going by past experience the season of madness is at hand and Pakistan will, in September and October, try to accelerate the infiltration of terrorists into the Kashmir Valley to stoke the fires of discontent.

None of the countries on the globe has objected to the move by the Government of India in regard to J&K. The Pakistan Prime Minister has tried to paint India's move as 'communal' by saying that India is trying to kick out the Muslims from J&K which is completely baseless. If that was the case then all Muslim States should have objected to India's move which never happened and no Muslim country has at all objected. So, by and large, all nations are with India on J&K and Pakistan is just showing its frustration again which actually have persisted right from 1947 when its massive invasion came to naught.

New Era

A new era has started with the change in J&K which will bring more peace and prosperity and investments to the Union Territory. There are lot of opportunities in J&K which have been never explored and projected the way they should have been. There are some very rare species available in the state which can be converted in big industries after the change as now corporate world can buy lands and establish their industries which will generate millions of jobs for the people and more prosperity will be seen in the coming few years.

Only a strong willpower and right direction with positive approach is required among the people of Jammu and Kashmir. the Indian government has taken a bold step in this direction. Pray for '3Ps' — PEACE, PROGRESS, PROSPERITY! for the people of one of our most beautiful and geo-politically important segment of India. 

A SIGNIFICANT STEP TOWARDS A BIGGER GOAL

The UNSC's declaration of Masood Azhar as a global terrorist assumes significance far greater than the act of listing itself. World opinion has definitely identified a sanctimonious Pakistan as the source of trouble in South Asia. There are no takers for its bluff and bluster any more.

The HQ 31 Corps of the Pakistan Army is located at Bahawalpur in Punjab Province. Not far from the cantonment is Markaz Subhanallah, HQ of Jaish-e-Muhammad (JeM), one of the numerous anti-India *jihadi* organisations based in that country. This opulent campus, spread across three acres of prime land, is equipped with modern facilities.

Masood Azhar is the founder and leader of JeM. He was born in Bahawalpur and had been living along with his family in this Markaz. According to Indian agencies, he was shifted by ISI to a safe house in Islamabad after the strike by Indian Air Force on Balakot in February this year; obviously he was considered a precious asset by the deep State.



Soldiers examine the site of a bomb attack in the Pulwama district.

It is at the Markaz Subhanallah that future *jihadis* are called up and later sent to Balakot for terrorism related military training and anti-India motivation. All confabulations of senior leaders of JeM take place at this Markaz; it is here that decisions are made regarding how mayhem and murder is to be unleashed in India. To imagine that HQ 31

Corps remains unaware of what is going on at the Markaz would be stretching the imagination.

Masood Azhar, the leader of JeM, is the man India would like to see behind bars. He is one of the many such men Pakistan unabashedly protects aided in its efforts by implicit support of China.

China had been obstructing it on rather flimsy **“technical grounds”**, but had to finally **acquiesce to the pressure of the world community**



**MAJ GEN ASHOK HUKKU
YSM (RETD)**

The writer is a former Infantry Officer of the Indian Army. He served as the Indian Military Attache in France with concurrent accreditation to Benelux countries. Later, he was the Chief Military Intelligence Adviser in the Cabinet Secretariat, following that a Centre Director in NTRO. After retirement, he has been speaking on South Asia in the US, across Europe and in Malaysia.



ISI Asset

For five years from 1994 to 1999, Masood Azhar was incarcerated at Kot Bhalwal Jail in Jammu. During his interrogation by IB official Avinash Mohananey, he boasted about his importance with Pakistan hierarchy and ISI. He said, “You are underestimating my popularity.... ISI will ensure that I am back in Pakistan”. True enough, hijacking of Indian Airlines flight IC 814 on 31 December 1999, organised by ISI, ended in his release from Indian custody. He became the head of Jaish-e-Muhammad (JeM) and thus began his journey of revenge and bloodletting in India.



Indian Airlines IC-814 Hijack.

The JeM is a *jihadi* organisation of Deobandi persuasion, abetted and aided by ISI and State authorities particularly that of Punjab Province of Pakistan. It is also known to have close links with Taliban and Al Qaeda.

Under Masood's leadership, JeM launched numerous terror attacks in India. The more audacious ones being on the J&K Legislative Assembly and the Indian Parliament in 2001, on Air Force Base in Pathankot, Indian Mission in Mazar-i-Sharif and the Indian Army base in Uri, all in 2016, more recently, the deadly Pulwama attack on 14 February 2019.

Not surprisingly, India reacted sharply by launching an air strike on JeM's training facility for terrorists in Balakot, a small town in Manshera District of Pakistan. It was an unambiguous message to the deep State to warn it against

transgressions in future as much as it was a strike to inflict damage on the JeM's camp. New Delhi was not going to tolerate terrorist attacks emanating from Pakistani soil; a red line had been drawn.

Chinese Veto

Starting from 2009, there were four attempts to put Masood Azhar on the UN sanctions list, each time China put a "technical hold" on the proposal. India's relentless efforts finally succeeded on 1 May 2019 when Masood was declared as a global terrorist by the UNSC 1267

Al Qaeda Sanctions Committee. Irrespective of how effectively Pakistan implements it; all eyes are now on Islamabad's disingenuous foreign adventures.

Has the UNSC declaration been of help to India? The answer lies in the process undergone and its implication.

The proposal to declare Masood Azhar as a global terrorist was put forward at the UNSC by the US, the UK and France. China had been obstructing it on rather flimsy

It was for the **survival of his country** and out of sheer desperation that **Imran Khan confessed to President Trump** that there are **30,000 to 40,000 terrorists in Pakistan**

“technical grounds”, but had to finally acquiesce to the pressure of the world community. India’s sustained diplomatic endeavour met with success with the main push coming from the three sponsoring countries that put forth the proposal. A significant step towards a bigger goal has been taken.

For a number of reasons, China had been putting a “technical hold” on the proposal to declare Masood as a global terrorist. The first one is pretty simple: China is an all-weather friend of Pakistan and will come to its aid when required.

The second is China’s consistent effort to maintain strategic pressure on India by various means which include extending implicit support to ISI’s anti-India *jihadist* activities by turning a blind eye to them.

OBOR Compulsion

The third reason pertains to China’s ambitious One Belt One Road Project (OBOR) and has more complex implication.

India neither supports the project nor will it participate in it on very valid grounds. On the other hand, Xi Jinping’s prestige and China’s economic prosperity are at stake in the success or failure of OBOR.

In Pakistan, the China Pakistan Economic Corridor (CPEC), an essential part of OBOR, passes through the restive Balochistan Province. The local population has socio-economic grievances against the federal government of Pakistan that has exploited the resource rich region without adequately compensating it. Consequently,

for the last 16 years, insurgency has raged with greater intensity in Balochistan drawing severe punitive measures by the federal government causing further alienation of the locals.

Through this insurgency racked province, the CPEC is to pass towards Karachi and Gwadar ports. Therefore, China has serious apprehensions about implementing the project under the prevailing security situation in that region.

US-China Trade-off

In some quarters, it is believed that Washington may have proposed to Beijing that if the “technical hold” on Masood Azhar is lifted, US’ administration could help in curbing Baloch insurgency. This was an offer that



President Trump shakes hands with Pakistan’s Prime Minister Imran Khan during a meeting in the Oval Office.

Beijing may have found difficult to refuse. The US State Department did issue a terrorist designation on Baloch Liberation Army. "I certainly wouldn't be surprised if there's a China dimension to this move," said Michael Kugelman, the deputy director of Asia programmes at the Wilson Centre in Washington.

On the other hand, Pakistan is in dire economic crisis and under tremendous multi-directional pressures. It is desperately seeking financial support from where ever it can get. To make matters worse France based Financial Action Task Force (FATF) is breathing down its neck. Pakistan also needs to attract foreign investment which is not forthcoming due to the poor security environment.

In view of these developments, Islamabad is left with no manoeuvring space, the only straw it can clutch is to show it is taking action against terror groups and terror financing, in the instant case by taking action against Masood Azhar and JeM.

For India, the designation of Masood Azhar by UNSC Sanctions Committee is a significant step forward towards bigger strategic goals.

Having tried normal diplomatic dialogue and military means to wean Islamabad away from its dependence on terrorism, it has become necessary for India to include other measures also.

Exposing Pak Gameplan

An essential step in this direction is exposing the true nature of Islamabad's policies. To a considerable extent this has been achieved resulting in Pakistan's isolation. Except for China and Turkey, the world community

Masood Azhar, yet another pawn in the **deep State's terrorism arsenal**, has fallen by the way side and in the process **inflicted collateral damage** to **Pakistan's dubious global image**

considers Pakistan as a country that has been supporting and sponsoring terrorism in the region.

UNSC's decisive rap on Pakistan's knuckles further reinforces Indian efforts. As a result diplomatic pressure to abandon its support to *jihadi* organisations mounts with increasing intensity on Islamabad.

India must remain focused on the effort to have terrorist leaders identified and classified as global terrorists along with their organisations. This will put brakes on terror financing, movement of leaders, check the flow of arms to their organisations and thus weaken their capabilities to pursue terrorism related activities in India and the region. Above all, it will also serve to dissuade the Government of Pakistan from relying on terrorism to achieve its nefarious national objectives.

The spinoff of these developments weighs heavily on Islamabad as foreign investors and financial institutions hold back investments and aid that Islamabad desperately needs to survive. It can ill afford to be either isolated or painted a terror sponsoring State where no country would put its monies. FATF is precisely on that track and unless Pakistan gives sufficient evidence of its sincerity of purpose it could be blacklisted by the end of this year.

Not surprisingly, Islamabad issued a hasty assurance of compliance to UNSC's declaration. Two months later, Pakistan followed it up with the seventh farcical arrest of Hafeez Saeed, yet another terrorist India seeks to bring to justice.

Threat To China

The all-weather friend of Islamabad too has certain reservations regarding terrorist organisations in Pakistan. Besides the threat to CPEC, it is quite possible that some terrorists may join hands with the Uighur rebels from the Xinjiang province. While JeM's *jihad* is focused on Kashmir and India, it is not beyond the realm of possibility that it may begin to target OBOR / CPEC with the help of Uighur militants if it feels let down by Beijing. Lifting of the "technical hold" was a decision taken reluctantly by Beijing as it did not want to risk annoying JeM.

Pakistan was quick to assure Beijing that JeM would not be allowed to pose a threat to Chinese interests. Indian contention of close links between the deep State and JeM stood vindicated by Pakistan's assurance.

Over decades, India has repeatedly brought to the attention of the world leaders the fact that Pakistan has been sponsoring terrorism under the garb of

providing political support to Kashmiri people, but scant attention was paid to it. This has begun to change now dramatically.

Were it not for Jared Kushner's efforts, Prime Minister Imran Khan would not have been able to get an entry into the White House during his first official visit to the US in July this year.

It was for the survival of his country and out of sheer desperation that Imran Khan confessed to President Trump that Pakistan had not been telling the truth to the world. He added that there are 30,000 to 40,000 terrorists in Pakistan and they had been fighting in Afghanistan and Kashmir.

Under these circumstances, UNSC's declaration of Masood Azhar as a global terrorist assumes significance far greater than the act of listing itself. World opinion has definitely identified a sanctimonious Pakistan as the source of trouble in South Asia. There are no takers for its bluff and bluster any more.

The UNSC's listing of Masood Azhar also sends a message to Beijing that Indian diplomatic capabilities carry sufficient weight to overcome transient hurdles put up by strong nations.

Masood Azhar, yet another pawn in the deep State's terrorism arsenal, has fallen by the way side and in the process inflicted collateral damage to Pakistan's dubious global image.

Once again New Delhi's oft repeated concerns in this context have been vindicated.

India must relentlessly sustain its drive to seek out other terrorists and bring them to book in its fight against Pakistan sponsored terrorism in the region. Efforts towards this end will be supported by the world community. UNSC's listing of Masood Azhar as a global terrorist is a significant step in that direction, besides it augurs hope for peace not only for India but entire South Asia.

It also serves as a clarion call to Pakistan to stop nurturing terrorist organisations and seek more laudable ways to resolve problems. How far Pakistan goes to root out this malignancy, only time will tell. **USA**



Indian Muslims hold a scratched photo of Jaish-e-Mohammad Chief Maulana Masood Azhar, as they shout slogans against Pakistan during a protest.



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REPERCUSSIONS OF TANK WAR

India is worryingly dependent on the stability in the Gulf region. Apart from oil-imports, India has significant trade relations with most of these countries. A large number of Indians are working in these Gulf countries, with nearly two million workers in UAE alone. India has invested in the Chabahar Port in Iran, whose economic viability will be severely hit in case of a tanker war. There are rising tensions on the LoC, political upheaval in the erstwhile State of J&K post scrapping of Article 370 and a slowdown in key sectors like automobiles, FMCG and two-wheelers. At this juncture, sunk oil tankers in the Persian Gulf and an escalation in the oil prices is the last thing India can afford.

Not many recalls the long 1980-88 Iran-Iraq War. The war was slow, Saddam Hussain was yet to gain notoriety, and it did not play out on the CNN screens. However, a key consequence was a 'tanker war' in the Persian Gulf, spiking the oil prices as both sides aimed to disrupt the oil production and supply. In a bid to undermine Iran's oil-based economy, Iraq first attacked oil tankers carrying Iranian fuel in the Persian Gulf in 1981. The attacks went up significantly from 1984 onwards after Iraq acquired French Exocet missiles. As Iraq stepped up strikes, Iran responded by attacking vessels carrying Iraqi oil, and later even neutral shipping, turning the Gulf Waters into a war zone. Incidentally, the Iranian counter-attacks on commercial shipping began in April 1984 with the shelling of an Indian freighter.

The current US-Iran confrontation is likely to widen. Rising tensions in the Persian Gulf may have consequences for the world economy, particularly in Asia. While the US is increasing pressure on Iran and deploying more forces to the region, there is a possibility of another 'tanker war'. Apart from shooting oil prices, a tanker war has direct impact on shipping and insurance costs, thus increasing the overall cost of doing business. Therefore, it is important to examine the possibility of a tanker war, its consequence for the region, with mitigation options for India.

The 1980s Tanker War

A brief recap of the horrors of the 1980s Tanker War. As the situation escalated, apart from Iraqi vessels, Iran targeted the oil tankers of Iraq's key allies: Kuwait and Saudi Arabia. From late 1986, the attacks on Kuwaiti and Saudi Arabian vessels grew more potent owing to Iran's acquisition of the Silkworm anti-ship missile. Rising oil prices and attack on ships of key

US allies led to US' intervention. In 1987, the US Navy launched *Operation Earnest Will*, its largest convoy protection operation since World War II. The move, combined with two retaliatory operations against Iranian oil platforms and naval assets, and the accidental downing of Iran Air Flight 655 that killed 290 civilians, persuaded Iran to stand down. The overall consequences were huge. According to a report by the US Naval Institute, between 1981 and 1987, in total 340 ships were attacked and more than 30 million tonnes of shipping damaged.

The Current Build-up

Fast-forward to May 2018 wherein the tensions in the region began to worsen when US President Donald Trump pulled out of a July 2015 nuclear deal between Iran and six powers and re-imposed sanctions. In response, Iran threatened to close the Strait of Hormuz to international shipping, which could have a marked effect on the global oil market. The strait is a choke point through which about 17.2 million barrels of crude oil is transported each day, nearly 20 per cent of global oil consumption. The Strait at its narrowest point has a width of only 34 km, which makes it the world's most vulnerable oil artery.

Curiously, the first two attacks were on two key UAE and Saudi oil facilities that enable bypassing the Strait of Hormuz. On 12 May 2019, four commercial oil tankers were targeted by acts of sabotage in the Fujairah Oil Port of UAE. The targets included two Saudi vessels and one Norwegian tanker, along with an Emirati bunker ship used in fuel storage operations. Fujairah is the world's second-largest port for ship refuelling, and a major oil storage centre. It is the end-point for the Abu Dhabi Crude Oil Pipeline, which originates in the UAE's Habshan Oil Field. This route enables the UAE to bypass the Persian Gulf and the Strait of Hormuz. Incidentally, Iran is also in occupation of Abu



COL SHAILENDER ARYA

The writer is an alumnus of RIMC, Dehradun and NDA, Khadakvasla. He has served as GSO 2 of a Mountain Artillery Brigade on the LoC, a Company Commander with Assam Rifles in Nagaland and as a Staff Officer with the United Nations. He is an MSc in Weapon Technology from Poona University and an MSc in Defence and Strategic Studies from Madras University. He has served as a GSO 1 (Operations) of a newly raised AR Sector HQ in a counter-insurgency environment in South Manipur and commanded an artillery regiment on the LoC in J&K. He is presently posted in the faculty at DSSC, Wellington.

Musa, an island on the Iran-UAE maritime boundary, which is claimed by the UAE.

Few days later, Iranian-supported Houthi rebels in Yemen conducted a sophisticated drone attack on two oil-pumping stations in Saudi Arabia. The pumping stations feed Saudi Arabia's Petrolina, also known as the East-West Pipeline, which transports oil from the kingdom's Eastern Province, which is on the Persian Gulf, westward to the country's oil refineries on the Red Sea coast. The pipeline enables Saudi Arabia's exports to bypass the Persian Gulf,

and the Strait of Hormuz chokepoint dominated by Iran. The tensions between US and Iran escalated after US attributed the Fujairah attacks to Iranian Revolutionary Guard Corps (IRGC). Tehran refused any responsibility of the Fujairah attacks, though it had appointed Ali Fadavi, a navy admiral and a known hawk, as IRGC deputy commander. Ali Fadavi had been decorated with Iran's Fath (victory) Medal after capturing US' sailors whose boat inadvertently entered Iranian waters in January 2016.

The Escalation

Major escalation took place on 13 June 2019, wherein two tankers were attacked 24 nm off Jask, causing major damage to the vessels. The first tanker to be hit was the Marshall Island flagged Tanker Front Altair, owned by Norway, which experienced three explosions. The explosions occurred between Fujairah and Jask. Soon, the Panama flagged tanker Kokuka Courageous experienced two

explosions. Kokuka Courageous is owned by the Japanese firm Kokuka Sangyo. Crew, thereafter, abandoned both vessels. The crew from Front Altair remains in Iranian custody in Jask, which also is a regional Headquarters for the Iranian Navy. The crew of Kokuka Courageous was however picked up by a US naval warship, and released.

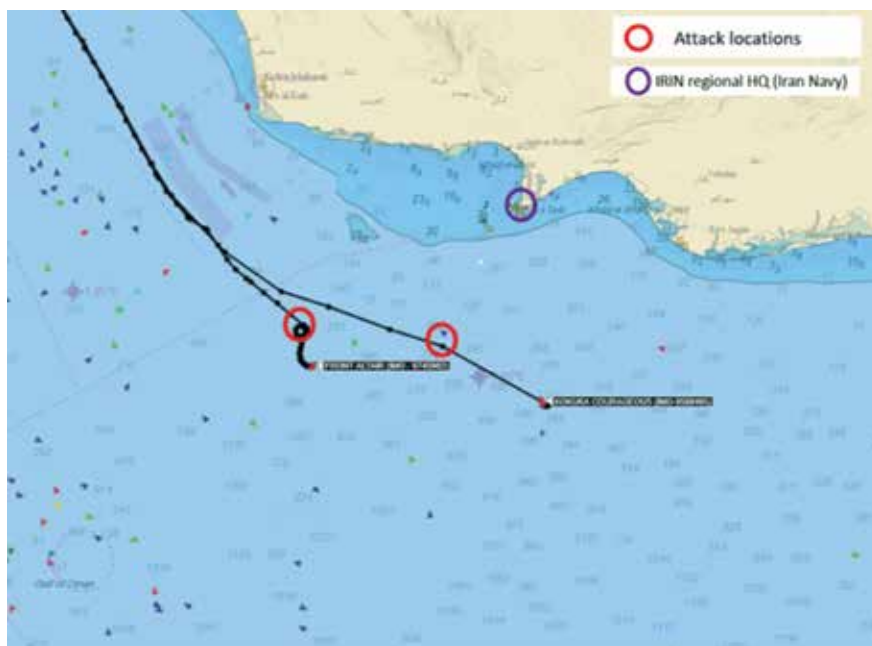
According to the Intelligence and Operations Centre (IOC) of Norwegian Ship-owners' Mutual War Risk Insurance Association, Iranian forces were likely responsible for the attacks and used air-borne anti-ship missiles delivered by a naval asset. Accordingly, the threat from Iranian forces towards tankers and other oil and gas related shipping assets operation in the Persian Gulf, Strait of Hormuz and North Western Gulf of Oman, was increased to 'high'. The IOC also assessed the threat from Iranian forces towards remaining categories of merchant vessels operation in the Persian Gulf, Strait

of Hormuz and North Western Gulf of Oman, as 'moderate.' This assessment contributed to an increase of oil prices as well as insurance costs.

On 4 July 2019, Britain impounded Grace 1, an Iranian oil super-tanker near Gibraltar, claiming that the vessel was carrying oil to Syria in violation of the European Union's sanctions. In retaliation, the Iranians seized Stena Impero, a British oil tanker, owned by a Swedish company, on 19 July 2019 in the Strait of Hormuz after it collided with an Iranian fishing boat. Britain stated that Iran's seizure of the British-flagged vessel and a Liberian-flagged vessel in the Strait of Hormuz was unacceptable and called for freedom of navigation in the Gulf. The incident came just two days after Washington claimed that a US warship downed an Iranian drone in the Strait. Earlier on 20 June 2019, Iran had shot down an RQ-4A Global Hawk BAMS-D surveillance drone of US in the same waterway.



Fujairah Oil Industry Zone (FOIZ).



The location of attacks on tankers on 13 June 2019, off Jask, Iran.

The situation is not de-escalating. Iran continues to face severe economic damage under intensified US' sanctions designed to strangle its vital oil trade. The US' sanctions have led to a sharp downturn in Iran's economy, pushing the value of its currency to record lows, quadrupling its annual inflation rate, driving away foreign investors, and triggering street protests, apart from the usual 'Death to America' cries. In early August 2019, Iranian forces seized a foreign oil tanker in the Gulf that was supposedly smuggling 700,000 litres of fuel to Arab States and detained seven crew members. The vessel was intercepted near Iran's Farsi Island. Iran has also retaliated by resuming Uranium enrichment, a potential conduit to developing a nuclear bomb. In fact, on 8 July 2019, the International Atomic Energy Agency verified that Tehran has breached the agreed 3.67 per cent limit for enriched Uranium.

Future Scenarios

The British have floated a proposal for European-led naval missions to escort tankers in the Strait of Hormuz. While Tehran termed this suggestion as 'provocative', the proposal did not

gain much traction. Even the US may not go for a full-fledged military response in the Persian Gulf mainly because of lack of consensus from its allies. European parties to the Iranian nuclear deal — Britain, France and Germany — have instead appealed for diplomatic moves to defuse the crisis and have been trying to salvage the pact by exploring ways to shield Iran's economy from US' sanctions.

Tehran has called on the European signatories to the deal to accelerate their efforts or it will further decrease its commitments to the agreement. According to the head of Tehran's Strategic Council on Foreign Relations, Iran may further scale back compliance unless European countries evolve a viable trade mechanism. An emergency meeting was conducted in Vienna in end-July 2019, attended by Iranian nuclear negotiator Abbas Araqchi. The conclusion was the same; if the

Europeans fail to salvage the pact, Tehran will continue to reduce its nuclear commitments. While nuclear ambitions of Iran are stated, an unstated tactic is to dominate the Strait of Hormuz and minimise crude oil movement — if the Iranian crude is not flowing out to the world markets — it cannot be business as usual for others.

Therefore, by its carefully calibrated responses, Iran has demonstrated that Saudi Arabia, the UAE, and other Gulf countries would not be able to replace Iranian oil on the world market or bypass the Persian Gulf and Strait of Hormuz. Iran dominates the Strait by means of IRGC's anti-access, area denial capabilities, such as the cruise missile batteries that line Iran's Persian Gulf coast. Indian analysts like Srinath Raghavan are also of the view that faced with serious attempt to squeeze its economic or strategic assets, Iran will respond in ways that can jeopardise maritime traffic in the Gulf, meaning a possible 'tanker war'.

The positions are hardening. The Saudis may be supportive of US going for a military action, as it shall degrade their arch-rival Iran. The UAE, due to the Fujairah incident, and other disputes with Tehran, has repeatedly called for secure international navigation and access to energy, implying support for greater US presence. In a further build-up, the Pentagon announced the deployment of USS Arlington and a battery of Patriot missiles to join their military forces in the Gulf of Oman region. Most likely, the US shall carry out more freedom of navigation operations in the Strait of Hormuz. The situation will remain tense.

If a **tanker war breaks out**, it shall have significant impact on the **overall energy security of India**

On the Iranian side, they are playing a risky game. They are possibly demonstrating what they can do in event of an actual war. The Iranian assessment is that US is not as strong as it was in 1988-89 when the US Navy's *Operation Earnest Will* forced Iran to back off. The weaponisation of the Strait of Hormuz is a dangerous game for all stakeholders. The 1980s Tanker War was only between Iran and Iraq, and manageable. On the other hand, if this war shall be between Iran and US, it may spiral out of control.

Indian Options


India, Russia and the Philippines are among the top five countries with the highest numbers of seafarers in merchant shipping. The seizure of British tanker, *Stena Impero*, had a fall-out for India, as among the crew of 23 people, 18 were Indians. *Stena Impero* is anchored at the Bandar Abbas Port and the Indian government is negotiating with the Iranian government for the release of

the Indian sailors. The focus of India until now has been on coping with American sanctions on importing oil from Iran. However, if a tanker war breaks out, it shall have significant impact on the overall energy security of India. In 2018, India's oil import dependence jumped to 84 per cent, according to the oil ministry's Petroleum Planning and Analysis Cell. Resultantly, India spent US \$111.9 billion on oil imports in 2018-19, up from US \$87.8 billion in the previous fiscal year. Any marked spike in the oil import bill, coupled with an apparent slowdown in the Indian economy, could have significant consequences.

India has been reducing its dependence on the Iranian oil in the last few months, mainly because of US' sanctions. Iran earlier used to supply over 10 per cent of India's oil needs, and had supplied 23.9 million tonne of crude in the preceding year. By April 2019, India had dropped its dependency on Iranian oil from about

2.5 billion tonnes a month to 1 million tonnes a month, and it is being further reduced to a near-zero levels. However, it has negative implications in terms of over-reliance on few countries, and greater impact of price fluctuations. The Indian arrangements with Iran including the pricing mechanism were highly favourable to India. India has also stopped its oil imports from Venezuela. This was again a follow up of the US' sanctions on Venezuela's crude oil in January 2019 by the Trump Administration.

Presently, Iraq has emerged as the top crude oil supplier, with 46.61 million tonne of crude oil sold to India during April 2018 and March 2019. It is followed by Saudi Arabia at 40.33 million tonne and UAE at 17.49 million tonne. It may be noted that all three countries are in the Gulf region, and highly susceptible to any tanker war. Therefore, India must diversify crude oil supplies from other regions, and tap sources like Nigeria and Mexico, who have been supplying crude oil to India, albeit in lesser quantities.

Besides Iran and Saudi Arabia, Oman, the UAE, Qatar, Bahrain, Kuwait, and Iraq also share the Gulf coastline. India is worryingly dependent on the stability in the Gulf region. Apart from oil-imports, India has significant trade relations with most of these countries. A large number of Indians are working in these Gulf countries, with nearly two million workers in UAE alone. India has invested in the Chabahar Port in Iran, whose economic viability will be severely hit in case of a tanker war. There are rising tensions on the LOC, political upheaval in the erstwhile state of J&K post scrapping of Article 370 and a slowdown in key sectors like automobiles, FMCG and two-wheelers. At this juncture, sunk oil tankers in the Persian Gulf and an escalation in the oil prices is the last thing India can afford. 

Guided missile frigate USS STARK (FFG-31) listing to port after being hit by two Iraqi Exocet missiles, 1987.



WAR IS NOT AN OPTION

A war will create waves or rather seas of refugees that will sink the East and the West for which no one can take responsibility. It will be a humanitarian catastrophe greater and worse than that of World War II. Such a situation would create the ideal environment for terrorist organisations to emerge, putting the world in a state of insecurity and catastrophic instability. This can only be a small part of the results of such a step. Both parties and the international community are aware of these concrete results, which place the choice of war off the table this time

On 1 February 1979, millions of Iranian citizens filled the streets to mark the start of the Islamic Revolution. This important event not only affected Iranian geography but was a turning point for the Middle East region as a whole and the establishment of one of the most complex regimes in the world. The West, through the United Kingdom and the United States, led a coup against its own influence in Iran. This was made clear by the first steps of the revolutionary leadership that directly affected Washington when, just days after its victory, 52 US civilians were abducted from the US embassy in Tehran and held hostage. It was with this serious event that the first chapters of US-Iranian relations began in the shadow of the Islamic Revolution in Iran.

Various Middle Eastern observers disagree on the substance of the US-Iranian conflict, what characterises it and how it is analysed. We can say that even their perception of the conflict is different. Looking deeply into the events in the Middle East since the beginning of the present millennium, we can clearly see the existence of relations, coordination and even cooperation between successive US governments and the Iranian regime on many levels. Many political analysts believe that the Iranian regime has been in a state of constant war with Washington since the beginning of the Islamic Revolution and base their views on the slogans that are flowing from side to

side. For example, the slogans of Iran: Death to America and Death to Israel on the one hand, and on the other, the characterisation of the Islamic regime of Iran as the “axis of evil” by all American governments. The reality, in my opinion, is that Tehran and Washington are two countries that are interested in their interests. Whether it’s slogans, in camera, or under the table, it’s just a matter of interest and the media sees only one side and not all.

Export Of Revolution

Today’s Iranian Supreme Leader Ali Khamenei, during a speech in the 1990s, confirmed that the first lesson he learned from the leader of

Any war declared by Washington will be an invitation for these militias to open fronts against US troops in the region

the Islamic Revolution, Khomeini, is that it should not be confined to the Iranian people alone, but should probably be widespread. This vision was not ink on paper but reflected on the ground through the events and paramilitary groups created, supported and organized by the leadership of the Islamic Revolution, what is now known as the export of the Iranian Revolution. With the cover of Shia religious sect and the pretext of shared history, goals and unity of destiny with neighbouring Shia peoples, the Iranian regime has expanded its influence in the Middle East and beyond. In Iraq, the al-Dawa Party, of Iranian origin, support and funding, has ruled the country for the past 16 years under different names, such as the “State of Law”. In Lebanon, in an earlier speech, Hezbollah militant leader Hassan Nasrallah noted that the plan of his organisation is not only to establish an Islamic State in Lebanon, but to be part of a large Islamic State under the leadership of Iran. His militia has, over the past four decades with

Iran’s military and financial backing, become an important and dangerous military force in the Middle East that threatens the stability of the region as a whole. With the outbreak of the Syrian Revolution in March 2011, Tehran first moved to rescue Assad by providing him with money, weapons, fuel and finally fighters, making Iran’s influence very significant. The creation of the Houthis militia in Yemen was carried out by direct orders from Tehran, giving the Iranian regime strategic depth in southern Saudi Arabia, which terrorised all Gulf countries.

Iran And Trump

The change in the American political scene with Republican dominance and led by Trump made it clear that it would not be a happy time for Iran. Abolishing the nuclear deal was his first step, including imposing moderate economic sanctions that prevented Tehran from exporting oil while allowing eight countries to continue buying (Greece - India -



EVA J. KOULOURIOTIS

The writer is Political analyst specialised in Middle East, www.evakoulourioti.com

Turkey - Pakistan - China - South Korea - South Korea), freezing funds and stopping investment of the Iranian regime in Europe. This step, despite its weakness, had an impact on the Iranian regime and was the beginning



Hezbollah scouts raise their fists and cheer as they listen to a speech of Hezbollah leader Hassan Nasrallah, via video link, during a rally in southern Beirut, Lebanon.



Revolutionary Guard Gen. Qassem Soleimani (center).

of greater difficulties. On 22 April 2019, US Secretary of State Mike Pompeo announced the cancellation of the eight-nation exemption, pushing Iran into a dark tunnel.

The current regime in Iran relies on a central leadership, led by Supreme Leader Ali Khamenei, who is the religious leader and has the first and last say in any political, military or economic decision taken by the regime. Khamenei has two wings that share roles within his vision and choices: foreign policy led by Foreign Minister Javad Zarif and military led by one of its most senior Iranian Guards and Quds Force commander, Qassem Suleimani. Based on the movements of these two persons, the trends of the regime can be read in their entirety. In a statement by US Secretary of State Mike Pompeo on the new package of financial sanctions on the Iranian regime, which annuls the eight countries' exclusion from importing Iranian oil, the first reaction from Khamenei was to send Zarif to New York who has sought to address the

US government calmly, reaffirming Tehran's unwillingness to step up and its readiness to sit at the negotiating table to resolve their differences. Despite his diplomatic dealings with the US, Russia and China, Zarif returned to Iran empty-handed. No one can stand up in front of the US.

On another occasion, Zarif went to Russia to meet with Lavrov, trying to gain any international support and confidence. But things did not turn out as he had hoped. Moscow is calm after the election results in Ukraine and the economic benefits it will derive from the absence of Iranian oil from the world market. In addition, it is consulting with Israel on the Syrian archive. So, Tehran and its critical situation are not important to Moscow. The most significant blow for Iran and its political wing represented by Zarif came from Europe. His contacts with Paris had no effect.

Options For Peace And War

Of course, the military option for Washington against the Iranian regime will not be a picnic or any previous

war such as Iraq or Afghanistan.

Iran, despite its weakness in the air, has an arsenal of small, medium and long-range ballistic missiles capable of hitting anywhere in the Middle East turning it into a sea of fire. We must not forget Iran's tentacles ideologically, militarily and financially linked to the Iranian regime, both in Iraq (Al Hashd Al Shaabi), Syria (Failaq al-Quds) and a number of militant groups created by Tehran during the last eight years), in Lebanon (Hezbollah) or Gaza (Al-Jihad and Hamas) and Yemen (Houthi). Any war declared by Washington will be an invitation for these militias to open fronts against US troops in the region on the one hand and against Washington's regional allies, such as Israel, the United Arab Emirates, Saudi Arabia, and the United States, as well as the US bases in Bahrain, Qatar and Kuwait. On the other hand, the US air force and missile arsenal will make Iranian cities and camps dust and ashes, while their allies inside and outside the region will be part of that conflict. Are the sides prepared for the outcome of such a war?

In the field of energy, it can be confirmed that around 20 million barrels of oil are exported daily from the Gulf States, and therefore, any war would mean stopping these exports. As a result, the price of the barrel will reach unbearably high, as Europe will lose almost 35 per cent of its oil imports and 40 per cent of its gas imports. The war will create waves or rather seas of refugees that will sink the East and the West for which no one can take responsibility. It will be a humanitarian catastrophe greater and worse than that of World War II. Such a situation would create the ideal environment for terrorist organisations to emerge, putting the world in a state of insecurity and catastrophic instability. This can only be a small part of the results of such a step. Both parties and the international community are aware of these concrete results, which place the choice of war off the table this time.

Peace And Diplomacy

There is no doubt that Iranian diplomacy has evolved dramatically, especially with the arrival of Javad Zarif as foreign minister. Zarif, through his political ability, has been an important factor in reaching an agreement on Iran's nuclear programme with the West and Washington, despite internal pressure mainly from conservatives close to Khamenei. Also, we cannot overlook the role played by the Iranian lobby in Washington, which has worked and is still working to form alliances within the Democratic Party of the United States aimed at rapidly preventing the deterioration of the situation. For the time being, Zarif operates under the visionary arrangements of Khamenei. His moves in Europe, Russia and China, despite the rejection of US positions by these countries, on the ground are unable to

change the landscape. Summarising Zarif's diplomatic line, there are only two tracks, no third. The first is to agree to negotiate with Washington's representatives in a neutral country and to try to reach a middle ground without increasing sanctions. The second option is to agree to make significant concessions to the Iranian ballistic and nuclear programme and then to negotiate directly with the US through which it will reduce sanctions and enter into prolonged negotiations. Attempts to make Tehran profit from Europe, Russia and China, or smuggling, or waiting for these countries to bypass America, are not feasible. The black market or militaristic economy is not enough for a country like Iran with a population of nearly 81 million and huge financial needs that cannot be met by such methods.


Node point

Many observers and analysts portray the US-Iran conflict as ideological and some regard it as a conflict of interest. Another part believes that the conflict is related to Iran's hostility to Israel. But in reality, US-Iranian relations are like any relationship between two countries. At some points they agree and at some points they disagree. At the present time, the two governments agree on the Iraq and Yemen files, while differing on two main points: The first is the nuclear programme and its effects on Iran's ballistic programme, and the second is solely the Iranian presence in Syria (and this is Israel's demand). As a result, any Iranian concession beyond these files will not affect sanctions and trying to rescue the previous nuclear deal becomes impossible without adding any substantial changes to them.

Therefore, it is possible to say that if Tehran wants to solve the problem

it should take the following steps – it should open the doors of its nuclear reactors, public and secret, to US and international observers periodically and continuously. In addition, it should reduce uranium enrichment well below the previously accepted rate (3.67). Washington may also demand the destruction of military facilities associated with Iran's ballistic programme, and it will not have mid-range and long-range missiles, but only 300 km range like Scud type missiles. Concerning the Syrian dossier, Iran should, of course, withdraw the last soldier from Syrian territory. The Israeli government has recently called for an end to the presence of all Syrian militias, including those of the Iranian Revolutionary Guards, not only from Syria but also outside.

“Biting fingers”

In conclusion, no one can definitively deny that the situation between Tehran and Washington is slipping into open war. But I can assure you that this possibility is very weak. At this point, Trump, who is preparing for the next presidential election that will not be easy on the basis of recent polls, will be very cautious in any military action. The best option for the US is sanctions and waiting. Tehran, on the other hand, is well aware that waiting until the US election, hoping that Trump will lose, will not be economically advantageous. Every day that passes with sanctions means the loss of billions that are absolutely essential to Iran. Therefore, it is more likely that Tehran would step up its efforts to push Trump into a limited military step that would reduce his chances of electoral success or step up its provocative actions in the Strait of Hormuz waiting for the Americans to take a step against it, or he will wait to lose patience and accept to sit at the table easing of sanctions. In short, we conclude that this is a “biting fingers” battle in the Arabic sense. The one who hurts first will be the one who retreats, and the other side will be the winner. 

The **best option** for the **US** is **sanctions and waiting**

MUST PROTECT NATIONAL INTEREST

After all, there are no permanent friends and allies in international relations. India, as other countries, has to secure its national interest and will act accordingly. The only important point is that countries would do well to keep in mind is that conflict in the region is in no one's interest. Signaling and grandstanding is all fine, but it should be done with enough thought and preparation so as not to start a domino which forces the region into another disastrous conflict.

Recent weeks and months have witnessed simmering tensions in the Persian Gulf region with 'tit for tat' moves being played out by United States and Iran. Following the signing of the Joint Comprehensive Plan of Action (JCPOA), or popularly known as the 'Iran Nuclear Deal' on 14 July 2015, the US-Iran relations had witnessed a brief upswing and the international community had seemingly laid to rest the Iranian nuclear bogey. On 8 May 2018, President Donald Trump opened up the Pandora's Box when he authorised American withdrawal from the multilateral agreement which was reached by P5+1 (US, Russia,

China, United Kingdom, France plus Germany) after two years of diplomatic negotiations.

The move was widely expected given that it was one of the major campaign promises made by President Trump. On the campaign trail, he had described the agreement as being 'a big disaster'. It was expected that he would

withdraw from the deal immediately after taking office. However, there was a strong pushback from within the US administration and especially the State Department against such a move given its ramifications on American global diplomatic standing and the destabilising impact that it would have on the region as a whole. Despite expectations to the contrary, the

The EU has also set up a **trading vehicle in INSTEX** through which European companies can **invest and trade with Iran** despite the American sanctions

Trump Administration certified that Iran was complying with the JCPOA in April 2017 and July 2017. In October 2017, Trump balked at the prospect of issuing the certification for the third time but stopped short of walking out of the Iranian nuclear deal. In January 2019, the Trump Administration reiterated the need for replacement or renegotiation of the agreement.

Trump Sinks JCPOA

President Trump sounded the death knell for the Iran deal in his remarks on the JCPOA at the White House on 8 May 2018. He described the deal as “a horrible, one-sided deal that should have never, ever been made. It didn’t bring calm, it didn’t bring peace, and it never will.” To signal that the threats were just not “empty threats,” the President also authorised reinstatement of nuclear sanctions on the Iranian regime followed by what Trump described as “the highest level of economic sanctions.”

However, US have not found support for its actions from the European Union. In response to President Trump’s May 2018 announcement that US would be walking out of the nuclear deal, the European Commission stated that it would make US’ sanctions against Iran illegal in Europe. This would allow European citizens and companies to continue their trade and relations with the Iranians. Additionally, EU top diplomat Federica Mogherini has stated that the European Union was “determined to preserve the deal”.

Inside Iran, the Trump

Administration’s actions of unilaterally walking out of the nuclear deal, and, re-imposing economic and diplomatic sanctions have strengthened the hands of the conservatives and hardliners led by Supreme Leader Ayotallah Ali Khamenei. In the days following Trump’s announcement, the Supreme Leader made a statement where he described Trump’s statement as “cheap

and petty”. Further, he strengthened the hands of the hardliners and conservatives including the IRGC by stating that, “We kept saying not to trust the US and here is the result ... the persistent enmity of the US is the nature of the [Islamic] system and the nuclear energy is nothing more than an excuse”.

Impact Of Sanctions On Iran

Following a six month wind-down period as stipulated by the JCPOA, American economic sanctions were re-imposed on Iran on 4 November 2018. As stated in the US Department of Treasury, these sanctions are one of the toughest American sanctions ever imposed on Iran and “will target critical sectors of Iran’s economy, such as the energy, shipping and ship-building, and financial sectors.”

According to estimates put out by the Economic Intelligence Unit, Iranian revenue from the oil export has dropped by two-thirds since May 2018 from 10 to 15 million barrels per week

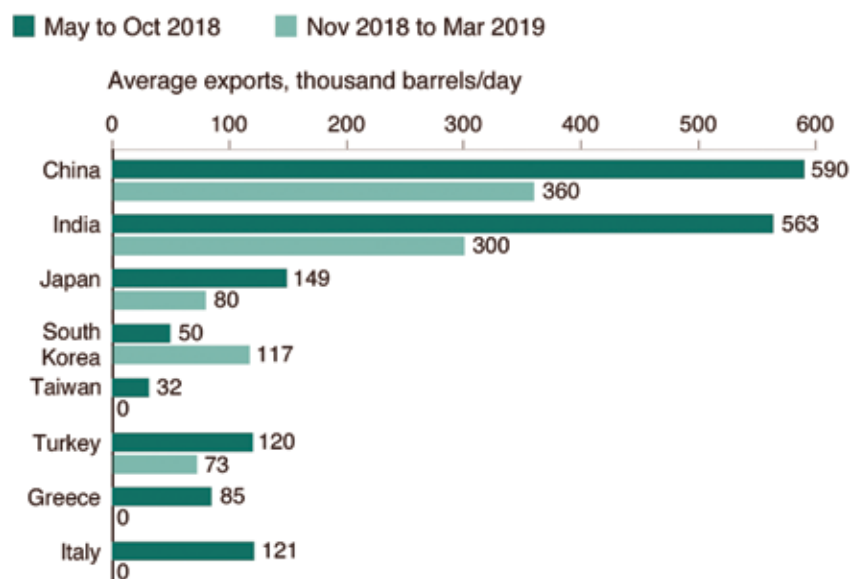


DR. ARUN VISHWANATHAN

The writer is Associate Professor, Centre for Security Studies, School of National Security Studies, Central University of Gujarat.

to 2 to 3 million barrels per week. In addition, the United States has also revoked waivers it had extended to eight countries to import Iranian oil in spite of US’ sanctions. These eight countries are India, China, Japan, South Korea, Taiwan, Turkey, Greece

Iran oil exports: Eight countries with US waivers



Comparison of Iranian Oil Exports to eight countries with American waivers (May to Oct 2018) and (Nov 2018 to March 2019) Source: How renewed US sanctions have hit Iran hard and SVB Energy International.

and Italy. Of these eight countries, Italy, Greece and Taiwan have completely stopped importing Iranian oil. South Korea is the only country to increase its import of Iranian oil between November 2018 and March 2019 as compared to figures in May to October 2018. As the Figure 1 below depicts, as a result of American sanctions and diplomatic pressure China, India and Japan have been, forced to cut-back on their imports of oil from Iran.

The plummeting revenues from oil exports will have a domino effect on the Iranian economy. These will include further devaluation of the Iranian Riyal, increasing inflation and resultant hike in price of gas and other daily items for the common Iranian. Following the removal of economic sanctions in July 2015, the Iranian annual GDP economy had clocked over 12 per cent in 2016 and close to 4 per cent in 2017. Given the fact that it was oil and energy exports which contributed to the bulk of this growth, the economic sanctions are bound to hurt the economy in general and the common Iranian in particular. The

impact of the economic sanctions was witnessed in the negative GDP figures of (-)3.9 per cent and (-)6 per cent Iran posted in 2018 and 2019 respectively. The worsening economic situation and resultant unemployment and inflation would impact the common public and lead to heightened pressure on the Iranian regime to draw down and resume negotiations with the West.

However, the Trump Administration has not left much space for diplomacy with the July 2019 sanctioning of Iranian Foreign Minister Javad Zarif. The economic and diplomatic sanctions are aimed at ensuring that pressure is built up at the highest levels in the Iranian Administration to negotiate

an altogether new nuclear agreement with the United States. By unilaterally walking out of the existing nuclear deal, making demands which are unacceptable to Iran and its latest actions of sanctioning the Iranian foreign minister; the US has lost face in Iran and in the international community. This has made pursuing the diplomatic route so much more arduous.

Crisis Since May 2019

Strait of Hormuz is one of the busiest shipping lanes in the world. Since May 2019, at least six oil tankers have been attacked or seized by Iran. This included a British-flagged tanker named Stena Impero, as well as more recently an Iraqi oil tanker. Tehran's seizure of the

The **worsening economic situation and resultant unemployment and inflation** would impact the common public and lead to **heightened pressure on the Iranian regime to draw down**



The value of Iran's currency has hit record lows in recent months.

British vessel seems to be in response to the British seizing an Iranian tanker off the coast of Gibraltar on the suspicion of sailing to Syria in violation of EU sanctions. Following the seizure, of the British vessel, UK dispatched its naval warship, Duncan, to the region in order to safely escort British-flag vessels through the Strait of Hormuz. The British action has been described by Iran as a “hostile and provocative.”

Tanker Escorts

The Trump Administration has called for a maritime force to be put in place to escort tankers and other ships through the Strait of Hormuz. However, this suggestion has not met with a lot of enthusiasm by other US allies including the European Union. One of the major fears of these countries is the built-in possibility of escalation that deployment of such a maritime force brings with it. In case, Iran carries out an asymmetric attack or attempts to seize the ships being escorted by the maritime force, there would be no alternative but to use military force, thereby escalating the entire situation. Currently, it seems, Iran is seeking to use its asymmetric power to impose ‘costs’ on the West so as to build international pressure on the United States to modify its current policy towards Iran.

Tinderbox Situation

However, it must be realised that such tit-for-tat games are dangerous. Especially given the fact that they can escalate in a moment and could spiral out of control. This was most recently seen when Iran shot down one American drone operating in the region. President Trump authorised military strikes in response to the shooting down of the unmanned drone. He subsequently changed the decision stating that the casualty from such a strike would be disproportionate. The event although underlines the possibility for escalation that exists when two parties play a signaling game and seek to send a message to their adversary.



Iranian Rial.

Many a time such messaging could go awry and lead to a much larger unplanned crisis.


What Should India Do?

Any crisis or near crisis in the Strait of Hormuz will result in a spike in global oil prices. The international community as well as Iran is very cognizant of this reality. The Iranian bid to seize ships in or near the Strait is a bid to signal the very real cost that it could bring to bear on the entire international comity of nations in case of any American military (mis)adventures.

Given that around 60 per cent of India's energy supplies come from the West Asian region, any disruption or rise in cost in energy would have a direct impact on India's GDP and its economic growth. In case, Iran continues its current stance of seizing vessels, the international shipping companies are likely to label the Straits as dangerous for shipping, which would result in a spike in shipping insurance premiums and associated costs of transiting through the Strait of Hormuz.

This would mean that India will have to look elsewhere for its energy supplies. India has begun to already do so by buying crude from US, Mexico, Russia,

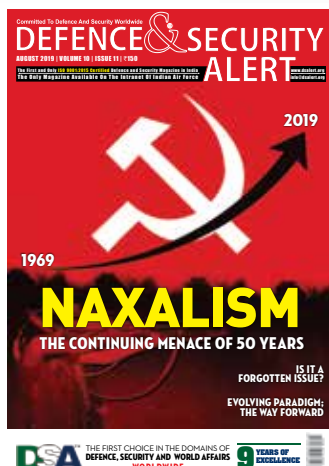
and UAE. Given that our oil refineries are tuned for refining a certain kind of crude, refineries will have to blend crude coming from different sources in order to continue operations. But given the large off take from the West Asian region, moving away from the region will not be an easy task at least in the short to medium term. One alternative like the Iranian Vice President Eshaq Jahangiri stated is to engage in futures trading. This would essentially mean that countries pay Iran for future oil deliveries in return for goods, services and investment. The EU has also set up a trading vehicle in INSTEX through which European companies can invest and trade with Iran despite the American sanctions. India can also think of such means to continue securing its interests.

After all, there are no permanent friends and allies in international relations. India, as other countries, has to secure its national interest and will act accordingly. The only important point is that countries would do well to keep in mind is that conflict in the region is in no one's interest. Signaling and grandstanding is all fine, but it should be done with enough thought and preparation so as not to start a domino which forces the region into another disastrous conflict. 

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AQUILA

ERADICATE SMELLS AND AIR POLLUTION QUICKLY,
ECONOMICALLY AND SUSTAINABLY!

A range of high capacity wall mounted Ozone generators for all
PUBLIC areas



Fast, effective, safe

Ozone is the strongest available air cleaner and disinfectant for treating odours. The Aquila generator uses the **Corona discharge system**, with ceramics rather than coils. These produce a higher ozone concentration in the 3 standard sizes 3g/h, 5g/h and 10g/h. You could install two or more units in parallel increasing output if required.

Allowed to run remotely during the day in public areas such as dormitories, the Aquila will keep smells and odours at bay. Then, when a deep clean is needed when the occupants have left, this can be done easily using the supplied remote control. Filling the rooms with ozone will mean all surfaces will be disinfected by killing off all pathogens.

The Aquila is ideal for school classrooms, offices, restaurants, cafés, shops and general public areas.

Depending on volume/size of a room, the 10g/h model will look after up to 1000 M³

The Aquila can be used in multiples to cover larger rooms.

Eradicate smells and air pollution quickly, economically and sustainably with **nature's own powerful air purifier – OZONE.**

Watership Down Technologies Aquila Series of Ozone generators, powerfully oxidise all smells within minutes. If left on overnight, it will eradicate bacteria and viruses leaving rooms with Pure, Clean Air ready for the next day, all automatically.

AQUILA Specifications:

Ozone output:	3, 5, 10 Grams per hour
Ozone control:	Fully adjustable O ₃ output
Control:	Automatic on flow
Cabinet:	Stainless steel
Dimensions:	3gm - 460 x 160 x 220 mm 5gm - 460 x 160 x 220 mm 10gm - 580 x 260 x 280 mm (w x d x h)
Weight:	5.4, 5.5, 8.5 KG



For trade queries: ceo@pawitra.com