

# A Washington pipe dream

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This article is related to General  
Studies Paper -II- (International  
Relations)

The Hindu

1 May, 2019

**"The American stance on Iranian oil exports could only cause mayhem in West Asia."**

U.S. Secretary of State Mike Pompeo announced on April 22 that the United States would not issue any additional 'Significant Reduction Exceptions' to existing importers of Iranian oil who had received such exemptions last November. Mr. Pompeo declared that the objective was to bring Iranian oil exports to "zero". India, China and Turkey, the principal remaining oil importers from Iran, will feel the greatest impact of this policy, which will take effect on May 2.

The end of the waivers is expected to bring different responses from the main importers. China, one of the largest importers of Iranian oil, is likely to defy the American demand because as a great power and potential challenger to U.S. hegemony it will not want to be seen as bowing to American pressure. Furthermore, Beijing is firmly opposed to unilateral sanctions, as it fears that one day it may be subjected to similar treatment.

Turkey and Iran have overlapping strategic interests regarding Kurdish secessionism, the territorial integrity of Iraq, and shared antipathy towards Saudi Arabia. Iran is the second largest supplier of energy to Turkey and a leading trading partner as well. Furthermore, Turkey's relations with the U.S. are currently rocky over U.S. support to the Syrian Kurdish militia, the YPG, that Ankara considers a terrorist organisation because of its close relations with the secessionist PKK. The threat of American sanctions on Turkey following the latter's decision to buy S-400 missile defence systems from Russia has also contributed greatly to tensions between the two countries. Therefore, it is unlikely that Turkey will bend completely to American will although it may do so partially to placate its NATO ally.

## **Indian capitulation?**

The American decision could not have come at a worse time for India with the country in the midst of a bitterly fought election campaign and policy makers focussed on the domestic scene. Nevertheless, the Indian response is expected to be the most weak-kneed of the three. New Delhi is likely to comply with American demands, as India's relations with the U.S. in the economic sphere are very important to it. The U.S. is India's largest trading partner and a leading source of foreign investment. It has become increasingly important in the strategic arena as well because of the convergence of American and Indian interests regarding containing China in the Indo-Pacific region. Moreover, the civil nuclear relationship with the U.S. is very important for India, as is American support for India's bid to enter the Nuclear Suppliers Group.

However, compliance with the American diktat will not come without costs. India is heavily involved in building the Chabahar port in southern Iran. This port is expected to become a major access route for India not only

to Iran but also to Afghanistan and Central Asia bypassing hostile Pakistani territory. Tehran is also important for New Delhi in the context of Afghanistan as both are unequivocally opposed to the Pakistan-supported Taliban returning to power even in a power-sharing arrangement. Furthermore, Iran shares India's antipathy toward Pakistan, which it considers Washington's proxy and Saudi Arabia's ally. India's decision to stop importing oil from Iran at America's behest could drive a wedge between New Delhi and Tehran that will be very difficult to repair and cost India strategically.

The most important question is whether Iran will capitulate to the American threat of cutting oil imports down to zero and accept Washington's demand to revise its position on issues the U.S. considers important. These include Tehran totally giving up its right to enrich uranium and closing down all nuclear facilities including those engaged in research for peaceful purposes. Additionally, it would entail Iran drastically curtailing if not completely eradicating its ballistic missile programme, and radically changing its West Asia policy to fall in line with American preferences in Syria, Iraq, Lebanon and Yemen.

However, this appears to be a Washington pipe dream. Iran has stood up to unprecedented sanctions for four decades and remained unbowed. The current American policy of forcing Tehran to cut its oil exports to zero will only aid Iranian hardliners and end up with Tehran adopting an even more virulent anti-American posture, further impeding the realisation of American strategic objectives in the region.

A dark scenario

While this confrontationist policy may please Israel and Saudi Arabia, it can well become a prelude to another major war in West Asia. Pushed to the wall by its inability to export oil in sufficient quantities, Iran is likely to retaliate by withdrawing from the nuclear accord and resuming full-scale nuclear enrichment close to weapon grade-level. This could lead to either an American and/or Israeli air and missile strikes on Iran's nuclear facilities. Such attacks are bound to invite Iranian retaliation against American targets in Iraq, Syria, and Afghanistan and around the Gulf, either through proxies or directly. Iranian retribution is likely to include air strikes against Saudi and Emirati targets as well and concerted efforts to block the Straits of Hormuz.

The mayhem that this action-reaction phenomenon will cause in the region can be disastrous for West Asia and could seriously disrupt the flow of energy supplies from the Gulf through the narrow Straits of Hormuz. It is ironic that some of the authors of America's disastrous invasion of Iraq, such as National Security Adviser John Bolton, are also the masterminds behind the current American confrontationist policy towards Iran. If not reversed, such a strategy could well lead to another American misadventure in West Asia before which the tragic consequences of the Iraqi invasion, such as state failure and the boost to international terrorism, are likely to pale into insignificance.

## Rising oil prices

### Why in the discussion?

- Recently, Foreign Minister of America Mike Pompeo said that the US will speed up the campaign to put pressure on the Iranian government effectively and it will continue until Iran's leaders change 'destructive behavior', Do not respect the rights of their people and do not sit at the negotiating table.
- This comment from Pompeo has come after US President Donald Trump's announcement that his administration will not issue additional 'significant deduction exceptions' to countries importing oil from Iran.

### key points

- In November last year, the US had given a concession to India and seven other countries for importing oil from Iran for a period of 180 days, which will end on May 2.
- India, China, Japan, South Korea and Turkey will be most affected by this decision.
- Iran is the third largest supplier of India in the world after Saudi Arabia and Iraq.
- Iran supplied 18.4 million tonnes of crude oil to India during the period from April 2017 to January 2018.
- With the decision, eight countries including India will have to bring down their imports of oil from Iran by May 2. Whereas, Greece, Italy, Japan, South Korea, and Taiwan have already made significant reductions in their oil imports from Iran.

### Effect of restriction

- The main source of Iran's revenue is the oil export which will be in crisis due to restrictions.
- In 2018 Iran's share in global oil production was 4%. There is likely to be an impact on global oil supply chains after Iran's sanctions.
- There may be significant increase in oil prices due to interruption in supply.

- The world's three largest energy producers, America, Saudi Arabia and the United Arab Emirates have said they will ensure adequate supply in the global oil market.
- The United States has said that it will curb financial strain on any institution or company that violates oil restrictions, in which Such restrictions are included companies prohibit the use of Swift Banking International Transaction System, the seizure of any American assets and transactions in dollars.

### Influence on India

- Oil supply for refineries:** This decision of US is likely to have a great impact on India.
- The US has recently banned another top supplier Venezuela, Venezuela. In these circumstances, the recent decision of the US can create problems for India.
- An increase in the import bill will put pressure on the rupee. Increase in crude oil prices will increase inflation.
- Iran granted privilege to India
- Iran gives a credit limit of 30 days to other countries and India 60 days.
- Iran also provided facility to pay India directly in rupees. It was arranged in that 55% of the total amount will be paid in European banks and the remaining 45% will be paid in India-based bank, which will be used for import from India.
- After this, in the event of closure of payments by European banks, Iran provided India with a 100% payment in rupees, the system continued with Iran until the P5+1 treaty was concluded.
- Again, 55% payment in Euro and 45% in rupees was provisioned.
- Iran also offers a discount in freight for the supply of crude oil to India.

### Expected Questions (Prelims Exams)

#### 1. Consider the following statements-

1. Nuclear Suppliers Group (NSG) is a group of 48 nations which was established in 1975.
2. India, China and Japan are major oil importing countries of Iran.
3. Chahbahar port is situated in South Iran in Persian Gulf.

Which of the above statements is/are correct?

- (a) Only 1
- (b) 2 and 3
- (c) 1 and 3
- (d) All of the above

### Expected Questions (Mains Exams)

- Q. What effect will be there on the India-America bilateral relations due to the ban on Iran by America, along with it, what steps should India take considering its economic interest? Analyse. (250 Words)

**Note:** Answer of Prelims Expected Question given on 30 Apr. is 1(c),