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Iran Under Ebrahim Raisi: The View from India

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Introduction

Iran went to the polls in June 2021 to choose a new president, its eighth, as the term of Hassan Rouhani, who led the charge for Tehran beginning in 2013, came to an end. Amidst domestic and international criticism, ultraconservative jurist Ebrahim Raisi was elected and took office on 3 August. Raisi is a controversial figure in many ways: close to the Supreme Leader Ali Khamenei, sanctioned by the United States (US), and a critic of the watershed nuclear deal that Iran signed with the P5+1 states in 2015. The 60-year-old, whose full name is Sayyid Ebrahim Raisolsadati, takes the reins as Iran is in the midst of a far more difficult phase of foreign policy, with the country's economy struggling to keep afloat amidst Western sanctions.

This report looks into some of the regional and international challenges that Raisi has inherited from his predecessor, the politically moderate Rouhani. These issues are manifold—a deep domestic economic crisis; a fast declining security

situation in Afghanistan; continuous contentions with the US; a rapidly developing relationship with China; proxy battles with Israel and the Arab Gulf across the region, from the seas surrounding the Middle East to the territories of Syria and Yemen; and a potential rapprochement with historical adversaries such as Saudi Arabia.

Raisi's path to the presidency was not without hurdles. Critics insist the election was unfair and was designed to guarantee a Raisi victory. Now that he sits at the helm, the president will likely re-align the Iranian polity, tilting its approach on both foreign and domestic affairs towards conservatism. This could complicate its relations with the US—the most crucial factor in Iran's attempts to re-enter global mainstream economy and politics.

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The unilateral decision taken in 2018 by then US President Donald Trump to exit the Iran Nuclear Deal (officially known as the Joint Comprehensive Plan of Action or the JCPOA) arguably made the Rouhani government, and to a certain extent the moderate movement in Iran, terminal. The Ayatollah himself had supported the deal initially, giving weight to Rouhani's plans while navigating the tides of suspicion from the conservatives. Later, to rectify the past, the Supreme Leader would help elect a government that operates on a singular ideological level.

For example, while Rouhani orchestrated talks with the West, regional foreign policy was handled largely by the Islamic Revolutionary Guard Corps (IRGC), the military arm of the Shia state that directly operates under the Ayatollah. To put this in perspective, Rouhani had little control over Iranian-backed militias in theatres such as Syria and Iran, and the West had little control over Israel's covert wars inside Iran against its nuclear programme—both critical issues for an all-encompassing nuclear deal between Tehran and the West. Despite these gaps, though, a deal did happen eventually.

While the conservatives in Iran were deeply suspicious and largely against any opening with the US, the cascading impacts of the economic crisis and the COVID-19 pandemic pushed the moderate agenda to the brink. Even with the change of guard in Washington D.C. and the arrival of President Joe Biden, it was too late for Rouhani and Foreign Minister Javad Zarif to drive Iran back into the JCPOA agreement, with the deal in its original form already considered moot by then. Under Raisi, Iran is expected to calibrate its approach to all aspects of diplomacy and politics.

Interestingly, India's Minister of External Affairs, S. Jaishankar, was the first foreign minister to meet Raisi days before his inauguration. It demonstrated that, over the past few years, New Delhi's diplomatic exchanges with Tehran have become more robust. Just a few months earlier, Iran's defense minister, Brigadier General Amir Hatami visited India in February, the first military head to do so in over 40 years. Hatami had followed Indian Defence Minister Rajnath Singh's trip to Tehran in September 2020. Prime Minister Narendra Modi had visited Iran in 2016, and President Rouhani reciprocated with a trip to India in 2018.

“Under Ebrahim Raisi, Iran is expected to calibrate its approach to all aspects of diplomacy and politics.”

This report examines the change of incumbency in Tehran from multiple frameworks—domestic, regional and international—and how it will affect the often-fractionous India–Iran relationship, both at a bilateral and multilateral level. In the first chapter, Dr Manjari Singh looks into the Chabahar port project, which is seen as not only an economic and connectivity project but a barometer for the state of India’s relations with Iran. Kashish Parpiani, in his piece, then focuses into the most critical element of Iranian foreign policy—i.e., its relationship with the US. Antara Ghosal Singh follows with an exposition of possibly the second most critical relationship for Iran today, that with China. In the fourth chapter, Kriti M Shah focuses on the fast developing and difficult situation in neighbouring Afghanistan, the gains made by the Taliban, and the unraveling security situation in the country.

Saaransh Mishra puts the Iranian economy under the microscope, and examines how the oil trade has been both a boon and a bane in Tehran’s geopolitics. Finally, I look into the broader position of Iran in regional and global geopolitics, what the Raisi presidency could potentially preserve from what it has inherited from the previous administration, and the form that its relationship with the wider world could possibly take.

This report aims to shine a light on the recent political change in Iran and the contestations it brings. The six chapters take the readers through various critical geographies and issues while keeping Indian interest and vantage point tightly tied into the narratives.

- Kabir Taneja

The Chabahar Port Imperative

Manjari Singh

The Chabahar Port Project, along with the International North-South Transport Corridor (INSTC), has held a central position in India-Iran relations since it was first offered to India in 2003. While the initial objective of the Chabahar development focused on connectivity and trade, the subsequent geopolitical churn in the region has increased the port's strategic significance for India. Notwithstanding the many challenges that have called into question the potential of the project to succeed, the port's development serves as a leverage point for both countries to affirm their role in Afghanistan.

For India, Chabahar is crucial to its regional and global outreach due to the port's geostrategic location, which connects India to Central Asia and beyond; it facilitates New Delhi's trade and developmental activities in Afghanistan, and helps India monitor China's strategic footprint in the region, given its proximity to the Chinese Gwadar port. Moreover, Chabahar Port is Iran's best access

point in the Indian Ocean and thus plays a significant role in India's Indo-Pacific expedition.

For Iran, the port is important for the economy, which has been stymied by American sanctions. It also serves to ensure stability in Afghanistan, which is a precondition to India's development initiatives in the region.¹

In recent years, New Delhi and Tehran have been working on the Chabahar Project under the "Afghanistan Reconstruction Initiative." Interest convergence over Pakistan, Afghanistan, and Central Asia has thus added a new strategic dimension to India-Iran relations. In all probability, this is the reason the Islamic Republic falls under the PAI Division (comprising Pakistan and Afghanistan) of the Ministry of External Affairs (MEA) in India and not under the West Asia and North African (WANA) Division or the Gulf Division.²

While the Trump Administration had imposed economic sanctions on Iran in May 2018 and subsequently removed all waivers to countries trading with Iran, including India in 2019, it made exceptions to India's Chabahar Port development under the Afghanistan Reconstruction Initiative. A 98-page report by the Congressional Research Services (CRS), published in April 2021, notes that despite the US's imposition of "maximum pressure" on the Persian State, the Trump administration "issued the permitted [The Iran Freedom and Counter-Proliferation Act] IFCA exception for Afghan reconstruction to enable India to continue work at Iran's Chabahar Port."³ Further, in a Track 1.5 dialogue organised by the Centre for Land Warfare Studies (CLAWS) in October 2019, an American delegation headed by Lesslie C. Viguerie, the State Department's Deputy Assistant Secretary for Pakistan Affairs at the Bureau of South and Central Asian Affairs (SCA), reiterated that exempting India's collaboration with Iran on the Chabahar Port development was part of ensuring Afghanistan's stability.⁴

“Chabahar Port is crucial to India's regional and global outreach owing to its location; it also helps India monitor China's strategic footprint in the region.”

According to the CRS report, India had largely stopped working on the project until late 2020 due to the regional dynamics and the outbreak of COVID-19. However, by early 2021, and especially during the months of March and April when the country was suffering from the second wave of the pandemic, India accelerated its work on Chabahar. The port was expected to be operational by April.⁵ In May 2016, Prime Minister Narendra Modi pledged to invest US\$500 million in the Chabahar Project, of which only a limited amount has been allocated and released so far, at INR 395 crores and INR 100 crores, respectively. Table 1 details the allocation, release and utilisation of the funds.

Table 1:
Funds Allocation and Distribution for Chabahar
Port Development, 2016–21⁶

Financial Year	Funds Allocated (in Rs Crores)	Funds Released (in Rs Crore)	Funds Utilised (in Rs Crore)
2016/17	100	100	0.0025
2017/18	Nil	NA	4.11
2018/19	150	Nil	1.36 (until 30 September 2018)
2019/20	45	NA	NA
2020/21	100	NA	NA

Source: Adapted Press Information Bureau, Ministry of Ports, Shipping and Waterways, Government of India, <https://pib.gov.in/Pressreleaseshare.aspx?PRID=1558480>; and Union Budgets 2019/20 and 2020/21.

Notwithstanding the funding gaps, analysts are of the view that Chabahar continues to be critical in India's foreign outreach projects. Indeed, at the Lok Sabha, the subject of the port was an "unstarred question" in July and November 2019;⁷ India also commemorated "Chabahar Day" on 4 March 2021 on the margins of the Second Edition of the International Maritime Summit 2021;⁸ and the Indian Ministry of Shipping provided 40 percent concessions on the coastal movement of cargo and vessel-related charges being handled at Jawaharlal Nehru Port and Deendayal Port from/to Shahid Beheshti Port in Chabahar. Preliminary steps towards infrastructure development at the Shahid Beheshti Port in Chabahar have been in the form of strengthening cargo handling capacity.

By January 2021, India had supplied two mobile harbour cranes (MHC) to allow the port to carry seamless cargo handling services. In June, the first container shipment from Finland arrived in Iran via Chabahar. India supplied wheat to Afghanistan in 2017, 2019 and 2020, as well as COVID-19 medical supplies via Chabahar.

However, much remains to be done to make the port fully operational. The constant hurdles in the form of sanctions on Iran, instability in the region, funding issues, and lack of delivery system have stalled India's operationalisation of Chabahar by nearly two decades. Some observers argue that the success of the project is far from guaranteed, and India should prioritise the

focus on Chabahar in its engagement with the new Iranian regime. These analysts argue that Chabahar is the one area where India and Iran can continue to work together despite the latter being under sanctions and the adverse relations between the hardliner Iranian regime and the US.

The Biden Administration's decision to withdraw the US and North Atlantic Treaty Organisation (NATO) forces from Afghanistan is a cause for concern, for both New Delhi and Tehran. Furthermore, India's decision to hold back-channel talks with Taliban in Doha in June, and Iran's move to fill the diplomatic vacuum in Afghanistan amidst the departure of US forces and military advances by Taliban, proves that the Afghanistan peace process is critical for both nations, and requires the two to actively engage. To be sure, the US's withdrawal creates many challenges for India, such as Pakistan's funding, training and military support to Taliban; the active role of external players such as Russia and China; Taliban's military advances; and threats from home-grown militant groups such as Lashkar-e-Toiba and Jaish-e-Mohamed, which have reportedly relocated to Afghanistan.⁹ In this context, the Chabahar Port development not only legitimises India's role as a significant player in Afghanistan but will also help mend its relations with the latter through working together with Iran.

Notably, the new president, Ebrahim Raisi, has been elected to office at a time when Iran's economy reels from US sanctions and dire economic conditions, further compounded by the ramifications of the COVID-19 pandemic. To legitimise his presidency and to fulfil his election promises, Raisi's administration will likely prioritise the economy. The president has already hinted at his plans to revive the 2015 nuclear deal and improve ties with his country's Gulf Arab neighbours, presumably after strategically calculating and weighing Iranian relations with India. Furthermore, there are claims that Raisi, who hails from the Khorasan province, belongs to a political school that believes in expanding ties with countries in the East, including India; it is also believed that Raisi has an affinity towards India.¹⁰

Considering the strategic realities of the Gulf and the nearby regions, it is clear that Indo-Iranian ties under the Raisi leadership will see an upswing. India must leverage this to work in tandem with Iran and strengthen its position in the region; the Chabahar Port development will be key.

Endnotes

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Biden's Constraints

Kashish Parpiani

United States President Joe Biden is yet to follow through on his promise of reversing his predecessor's 2018 decision to withdraw from the Iran Nuclear Deal.¹ While Biden criticised Donald Trump's policy, calling it "a dangerous failure", his administration has sought to "extend the nuclear deal's provisions", to include other issues like Iran's ballistic missile programme, support for non-state actors in the region, and its human rights record.² To that end, Biden has continued Trump's "maximum pressure" campaign against Iran, under which the Trump administration reintroduced sanctions and raised the economic pressure by targeting Iran's oil exports.³ Furthermore, the US's sabre-rattling has continued, with Biden twice overseeing airstrikes against Iran-backed militias in Syria and Iraq.⁴

Biden's motivation to continue on Trump's course also pertains to his constraints in Capitol Hill. With Democrats honing a narrow hold (particularly in the US Senate) over the US Congress, Biden has sought to placate Republicans with his Iran policy. In his intent to have the US return to the Iran Nuclear Deal, Biden cannot risk a revival

of Republican obstructionism that hindered former President Barack Obama's efforts to have the landmark deal ratified in 2015.⁵ However, Biden's continuity with the "maximum pressure" policy has borne counterintuitive results.

Efforts to seek a "longer and stronger" deal⁶ seem to have eclipsed Biden's promise of rejoining the nuclear deal as "a starting point for follow-on negotiations". Although some piecemeal lifting of sanctions spurred Iran and the US to begin indirect talks,⁷ the US's all-or-nothing approach for a renewed deal has not ended the Trump-era status quo. While Biden may not have been driven by Trump's neoconservative agenda for regime change in Iran, on a fundamental level, the approach hardly differs. In a sense, both administrations bet on the odds of economic pressure spurring Iran's governing elite to buckle under public pressure and accept a revised scope of negotiations.⁸

However, this counterintuitively only narrowed the political elbowroom for Iranian moderates, who championed the 2015 nuclear deal under reformist President Hassan Rouhani. In the run-up to the presidential election in June, the continued weight of US sanctions (compounded by the COVID-19 pandemic) undercut even the possibility of moderates reviving their 2013 campaign message of global engagement (mainly over the nuclear issue) being the key to ending Iran's economic woes.⁹

Moreover, as the Iranian economy continued its downward spiral—with inflation at over 40 percent and unemployment figures nearing 20 percent¹⁰—moderates themselves were forced to shed their illusions over Trump's approach being an aberration. This was apparent at the very outset of the Biden administration, with Rouhani's foreign minister, Mohammad Javad Zarif demanding that the US first “unconditionally” remove all Trump-era sanctions, before Iran's return to full compliance to the 2015 deal.¹¹

Furthermore, Iran's Supreme Leader Ali Khamenei, who is long known to have been suspicious of Iranian engagement with the US,¹² also revived his anti-US rhetoric¹³ and his 2014 message of the value of a “resistance economy” that can withstand sanctions.¹⁴ Khamenei also consolidated the sentiment against Iranian

overtures, by declaring Tehran's intent to enrich uranium at 60-percent purity¹⁵ and supporting the Iranian parliament's cessation of an agreement which permitted the International Atomic Energy Agency (IAEA) to conduct short-notice inspections.¹⁶ This also led to the lapse of an interim monitoring agreement between Tehran and the IAEA.¹⁷

Ahead of the election, with an eye on consolidating his hold over the chief executive, Khamenei even tipped the scales in favour of his protégé, the hardline cleric, Ebrahim Raisi. In defending the Guardian Council's disqualification of a majority of presidential candidates¹⁸—whereby only seven out of 590 candidates were cleared—Khamenei set up a “hardliner versus hardliner” fight between the then-judiciary chief Raisi and former nuclear negotiator Saeed Jalili.¹⁹

While President Raisi has announced that he will honour the 2015 nuclear deal and oversee Iran's return to it, he has ruled out negotiations over Tehran's ballistic missile programme and its support for regional militias.²⁰ Moreover, negotiations could face new complications, in view of Raisi's past calls for a tough negotiating posture and his fiery rhetoric earlier this year on the first anniversary of the US drone strike that killed Iranian Gen. Qassem Soleimani (“The resistance is determined to take revenge”).²¹

If such rhetoric translates into more Iranian military brinksmanship (for instance, with renewed naval altercations in the Persian Gulf),²² Republicans will push the US's Iran policy further to the Right by questioning the credibility of American power under Biden.

Similarly, Raisi's presidency will also complicate Biden's options from the Left, particularly amongst progressives in the Democratic Party, that have influenced Biden's foreign policy towards Israel and Saudi Arabia on the basis of their human rights records.²³ Raisi, after all, himself remains under the purview of Trump-era US sanctions for overseeing the execution of juveniles during his time as judiciary chief, being "involved" in the crackdown on the 2009 Green Movement protests, and participating in the "death panels" of 1988 which led to the execution of about 5,000 people.²⁴

However, progressives may offer Biden a path to de-escalate tensions. With a rising anti-war sentiment in the US, captured most prominently in the progressives' derision of "forever wars", Biden's military action against Iran has invited criticism. Some progressives have deemed US airstrikes against Iran-backed militia to represent a "constant cycle of violence and retribution" that "will not make any of us safer".²⁵ This has led some

progressives to wonder out-loud if US insistence on a comprehensive deal will prove to be "a death knell" for the Iran nuclear deal.²⁶

But siding with progressives alone will not resolve Biden's woes on the Hill, since some influential moderate Democrats (eg. Chair of the Senate Foreign Relations Committee Bob Menendez) have also called for a "better deal".²⁷ However, the anti-war sentiment may help move the US policy disposition away from the credibility of US force and towards diplomacy's focus on the overriding importance of constraining Iran's nuclear programme—as compared to Iran's non-nuclear activities.

While such a compartmentalisation of the scope of negotiations may invite a host of other impediments—such as a pushback from regional players like Israel or the Arab Gulf states—an emphasis on de-militarising US-Iran ties can emerge as a means for Biden to not only offer Iran "a credible path back to diplomacy", but also to the United States.²⁸

Moreover, on India's renewed outreach to Iran—apparent with External Affairs Minister S. Jaishankar being the first foreign dignitary to meet Raisi,²⁹ prospective pushback from Arab Gulf states may be limited. This, in view of their own pragmatism towards reducing tensions, with Saudi Arabia and the UAE each holding talks with Iran over de-conflicting their relations.³⁰

However, India's relationship with Iran will continue to riddle India-US ties, since the fate of normalisation of India-Iran ties (like the resumption of oil trade) will depend on Biden's navigation of the discussed domestic challenges over the Iran nuclear deal.

Another impediment may emerge in context of the US's ongoing withdrawal from Afghanistan. With Washington announcing a new Quad (Afghanistan, Pakistan, Uzbekistan, and the US) focused on Afghanistan's regional connectivity,³¹ the *raison d'être* for India's development of Iran's Chabahar Port—in terms of resolving land-locked Kabul's connectivity woes—may come under question. If US-Iran tensions continue, this could lead to Biden departing from the Trump precedent of keeping India's strategic investments in Iran out of the ambit of US sanctions.

“While Biden may not have been driven by Trump's neoconservative agenda for regime change in Iran, the approach hardly differs on a fundamental level.”

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China's View of its Relations with Iran

Antara Ghosal Singh

Since Ebrahim Raisi took his oath as Iran's eighth president, there have been growing concerns within the international community about how a hard-line shift in Iranian politics might impact its external engagements. Will Iran be now moving closer to China, and eventually realise the prophecy of a China-Russia-Iran (possibly including Turkey, Pakistan and North Korea) alliance? If it does, how will it impact the interests of various stakeholders in the region, including India?

Indeed, China-Iran relations have been warming up in recent years, with their ties getting upgraded to a comprehensive strategic partnership in 2016.¹ In what is largely a symbolic endeavour, Iran and China, along with Russia have been holding naval drills in the Indian Ocean since 2019. Furthermore, in March 2021, China and Iran signed a 25-year strategic cooperation agreement.² The massive

US\$400-billion deal between China and Iran, a draft of which was leaked to the media in July 2020, has set off alarm bells in many Western capitals as well as in New Delhi. Some analysts are of the view that the historic agreement between China and Iran will be a game-changer in West Asian geopolitics.³ At the same time, other observers say the China-Iran strategic rapprochement is rather overhyped; that it is more optics than substance.^{4,5}

This chapter reviews Chinese-language literature to describe how the evolving dynamics of China-Iran relations are being debated within Chinese strategic circles.

“Will Iran move closer to China, and eventually realise the prophecy of a China-Russia-Iran alliance?”

In Chinese assessment, Beijing’s decision to conclude such a sweeping agreement with Iran within days of its heated exchanges with the US at the Anchorage Summit, is part of China’s “contempt diplomacy” (蔑視外交) towards the US.⁶ The idea is to convey to the international community that China is “no more afraid of the United States”, to reiterate through action what China’s top diplomat Yang Jiechi stated during the Anchorage Summit, that “We (Chinese) won’t eat this” (我們不吃這一套).⁷ It is argued that China for long had been sensitive towards US interests and did not have high-level exchanges with Iran for nearly 10 years. In a key policy shift, Beijing now wants to show that it is determined to fight back and hit the US where it hurts the most, like initiating a global trend of “de-dollarisation”.⁸

There is no doubt that China values Iran’s geographical advantage of being located at the junction of Central, West and South Asia.⁹ Further, Iran’s heft in regional affairs, anti-American attitude,

strong authoritarian government, abundant natural resources, and dire need for infrastructure, foreign capital and technology make it China’s preferred choice as a “fulcrum country” for its Belt and Road Initiative (BRI).¹⁰ China is keen to increase its investments in Iran’s energy and infrastructure, including the building of a railway from the Chahbahar Port to Mashhad—as part of the International North-South Transportation Corridor.¹¹ China also considers Iran an important market for the internationalisation of RMB, and the promotion of China’s 5G technology and Beidou global positioning and navigation system for Iranian missiles.¹² However, China’s Iran policy remains plagued with challenges.

First, it is the US factor which is considered in Beijing as one of the biggest hurdles in developing closer China-Iran relations. Chinese strategic community is particularly concerned about the economic implications of getting too close to Iran. Given the experience of China’s ZTE and Huawei, Chinese companies have been particularly sensitive and apprehensive about US sanctions. Not surprisingly, the recently signed 25-year strategic agreement between China and Iran spurred an intense debate in Beijing regarding China’s preparedness to face more US sanctions against Chinese companies investing in Iran.¹³

At the same time, despite publicly upping the ante against the US, Beijing seems reluctant to see the world divided into two clear-cut camps—a US-led Western alliance, and another one comprising China, Russia, Iran, and others.¹⁴ China wants to ensure that the Western world does not behave like a monolith on the issue of decoupling from China, the way it has on the subject of human rights. The signing of the investment agreement with Europe, and the conclusion of the RCEP (Regional Comprehensive Economic Partnership Agreement) with some of the close allies of the US, are all directed towards the Chinese objective of preventing a clear-cut camp formation.¹⁵

Second, although in 2016, Iran and China had pledged to increase trade to US\$600 billion in 10 years, statistics show that there has been limited progress in the last few years. In 2020, China-Iran bilateral trade stood at US\$14.91 billion, a decrease of 35.3 percent from the US\$23.03 billion in the same period of the previous year and, overall, a 15-year low.¹⁶ In Chinese assessment, apart from US sanctions and the impact of the pandemic, it is also Iran’s internal economic challenges that have led to the current slump in China-Iran trade ties.

Chinese analysts are warning about the various economic predicaments facing the West Asian powers like Iran, Egypt, Saudi Arabia, and Turkey.¹⁷ They advocate China’s West Asia diplomacy to

**Table 1:
China’s Trade with Iran
(In US\$ Millions)**

Year	Exports	Imports	Total Trade
2021(May)	2,527.64	2,968.86	5,496.50
2020	6,401.93	8,510.16	14,912.09
2019	9,590.81	13,434.32	23,025.13
2018	13,939.73	21,102.28	35,042.01
2017	18,584.82	18,553.69	37,138.51
2016	16,418.66	14,827.19	31,245.85
2015	17,770.11	16,057.45	33,827.56
2014	24,338.49	27,503.85	51,842.34
2013	14,036.65	25,389.86	39,426.51

Sources: China Customs, Huajing Industrial Research Institute and China trade and external economic statistical yearbook, 2014, 2015, 2016, 2017, 2018, 2019

become more diversified, and give greater focus to medium powers¹⁸ and small ones as well,¹⁹ so as to reduce the political-economic risks and ensure better returns on investment.²⁰

The Chinese strategic community has been particularly skeptical about China getting tightly bound to Iran as it might complicate China’s otherwise stable relations with various West Asian nations. As Ma Xiaolin, Dean of the Middle East Research Institute of Zhejiang International

Studies University explained, China's current trade with Saudi Arabia is much higher than that with Iran, while the bilateral economic and trade relations between China and Israel have been making great strides. How these countries might perceive or react to China's special outreach to Iran is a big concern for China.²¹

The third challenge is Iranian public opinion, which is not particularly favourable of China. Owing to various reasons like Cold War memories or Islamic beliefs, many in Iran regard China as an advocate of communism, a “godless” country, and therefore “evil”; accordingly, the discourses on Chinese “neo-imperialism” and “debt-trap diplomacy” find resonance within Iranian society. Much to China's unease, the recent signing of the 25-year agreement between China and Iran caused an uproar in Iran.²²

Chinese strategists also believe that Iran looks at China only through the prism of expediency, as leverage against the West.²³ For instance, according to China's West Asia watchers, it is due to Iran's reluctance and its preoccupation with the US and Europe that the 25-year agreement, which was originally proposed in 2016, got delayed; but now it is the Iranian side that is carrying out high-intensity propaganda, only to exert pressure on the Biden administration to return to the nuclear agreement. This was largely interpreted in China as Iran's lack of sincerity or long-term commitment to China.

Given the complex internal dynamics of China-Iran ties, Beijing expects Tehran's China policy under Raisi to remain uncertain and selective, despite the comprehensive strategic agreement between the two.²⁴

India has stakes in Iran – from energy security to access to Afghanistan and Central Asia, to hedging against the controversial China-Pakistan Economic Corridor. China's rising influence in Iran or the prospect of China calling the shots in Iran in the future is a matter of grave concern. Sections of India's strategic community have warned that India could end up on the losing side and see its Chabahar dream getting frustrated.²⁵

Yet, a closer look at the Chinese discourse on Iran reveals that it might still be too early to infer an emerging strategic alliance between Xi's China and Raisi's Iran. China's reluctance to get embroiled in Cold War-style bipolar politics, its interest to have multiple Gulf states' endorsement for its BRI, its economic calculations, along with the chasm in Chinese and Iranian policy priorities and public opinion—are all important factors that will continue to restrain Chinese ambitions in Iran, thereby leaving sufficient space for competing actors like India to pursue their own strategic interests.

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Iran in Post-U.S. Afghanistan

Kriti M. Shah

Iran's interests and objectives in Afghanistan have largely aligned with those of the United States (US). The past few years, however, have seen a drastic change in the way Tehran views Kabul, as a consequence of its tumultuous relationship with Washington.

Today, it is expected that as a member of the ultraconservative guard in Iran, President Ebrahim Raisi will face challenges in the negotiations to rejoin the JCPOA nuclear agreement, while balancing domestic expectations of relief from COVID-19's economic fallout. Aside from the nuclear deal discussions, the new president will have to grapple with a number of equally important foreign policy decisions; the more immediate concerns include the situation in Afghanistan and its rapid descent into the Taliban's clutches.

Historically, Tehran and the Taliban have been enemies. The Shia state has vehemently opposed the Sunni militant group, provided support to anti-Taliban groups in the 1990s, nearly went to war with them in 1998, and supported the US invasion to overthrow the Taliban government in 2001. However, as relations with the US deteriorated and the Trump administration withdrew from the nuclear agreement and imposed fresh sanctions on Iran, Tehran's view of the Taliban changed. It began using the militant group as a means to gain leverage against the US, whose forces were battling the group in their backyard—and failing. By providing support to certain Taliban factions in western Afghanistan, calling for a withdrawal of

US forces and even hosting senior members of the Taliban for talks, it is fair to assume that any debate that may have existed in Iran over how Tehran should deal with the Taliban has been settled. While Tehran does not want to see the Taliban restoring their military hegemony over Afghanistan, they are an important political tool which Tehran hopes to leverage to serve its own diplomatic interests.

Today, Iran and Afghanistan’s relationship is at a critical juncture. The Taliban has been rapidly gaining control over territory, and it is vital for India as well as other nations that have a stake in Afghanistan, to closely observe how Tehran will balance its future economic prospects with diplomatic pragmatism. Under Raisi, Iran will have to focus on recalibrating its thinking regarding Afghanistan to ensure that its neighbour does not descend into complete chaos and is able to protect Tehran’s political, economic and religious interests.

One of the immediate challenges for Raisi will be finding solutions that will revive the country’s dismal economy. With high inflation amidst crippling international sanctions, the new government is sure to look towards Afghanistan with the hope of expanding trade ties. The Khaf-Heart railway project, launched in December 2020, is an example of Iran’s growing interest in establishing stronger trade ties with its neighbour.¹ The US\$75-

million, 140-kilometer project is expected to increase Iran-Afghan trade and help increase passenger movement between the two countries. It can also aid Tehran’s ambitions of becoming a transportation hub for the region, providing access to the Persian Gulf for landlocked nations such as Afghanistan.

Table 1:
Iran- Afghanistan Trade
(in US \$ thousands)

Year	Exports to Afghanistan	Imports from Afghanistan
2014	1,497,049	14,865
2015	1,807,982	26,072
2016	1,265,139	21,642
2017		20,398
2018	1,264,167	10,930

Source: World Integrated Trade Solution

As for India, a stronger trade relationship between Iran and Afghanistan works in New Delhi's interest given that it has been eager to expand its own trade relationship with Afghanistan, through Iran. The lack of land access to Afghanistan has meant that India's next best option is the longer sea route to Iran, from where goods can travel via road or rail to western Afghanistan. While India has had its eyes set on developing Iran's Chabahar port as a means of transit connecting it to Afghanistan, Tehran has stated that the port is "open for cooperation for everybody."² Iran is not averse to the idea of China coming on board. Nonetheless, India hopes that Chabahar will remain under its influence, so that it can establish a trade and transport corridor from its western coast to Afghanistan—dependent of course on Kabul's stability and Tehran's willingness.

Iran will also remain concerned about the possibility of civil unrest in Afghanistan escalating, and forcing civilians to flee and seek refuge at their borders. Over 2 million Afghan refugees live in Iran at present, and while there are some who believe that Iran should be accepting more immigrants to help the country's demographic crisis, the new government would not want to face the perils of an overburdened border.³ The trafficking of drugs, from the heroin-rich Afghan south to markets in Europe via Iran, has always been a concern for

the Iranian regime. The new government will be working to ensure that the 900-kilometer border between the two countries remains closely monitored and protected in the event of the Taliban gaining control over the south and looking for larger markets for their opium.

Another concern for the Raisi government would remain the protection of the minority Shia population in Afghanistan. Should the Taliban engage in higher levels of sectarian violence, targeting Hazaras, a predominantly Shia ethnic group, Raisi, who is expected to succeed the Ayatollah Khomeini as Supreme Leader, will be forced to adopt a tougher stance against the Taliban. Iran has maintained ties with the Hazara and other Shia groups in Afghanistan. Under Raisi, in particular, Tehran is sure to project itself as a "protector" of the Shia community, in the face of Taliban's blunt Sunni militarism.

Unlike Russia or China which are frequently accused of rushing to fill the “diplomatic vacuum” left by the US, Iran’s role in post-US Afghanistan will remain the most critical in terms of influencing India’s engagement. Tehran remains anxious on what a Taliban takeover of Kabul would mean for its interests in the country—it is a fear that New Delhi can relate to. Therefore, while New Delhi will continue, regardless of the outcome, to provide support to democratic forces in the Afghan government, it will look towards Tehran for assistance in making inroads into the country, should the Taliban seize greater territorial or political power. The desire to further strengthen ties with Iran was demonstrated when Indian External Affairs Minister S. Jaishankar called on the then president-elect in July, becoming the first foreign dignitary to do so.

For now, Iran continues to hedge its bets, preparing for all outcomes once the US leave Afghanistan, including a diplomatically and economically powerful and legitimised Taliban. Raisi will have to balance his political conservatism with the US, and his desire to free Iran from the shackles of international sanctions. At the same time, Afghanistan will force him to adopt a more liberal, open-minded approach against the Sunni militant group that his country has traditionally been opposed to.

“Raisi’s Iran will have to recalibrate its Afghanistan policy to ensure that its neighbour does not descend into complete chaos.”

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India's Options Amidst Continued Sanctions on Iran

Saaransh Mishra

Iran's new president, Ebrahim Raisi, despite his well-known anti-Americanism has expressed willingness to re-engage in negotiations over the financially beneficial Joint Comprehensive Plan of Action (JCPOA), more known as the Iran Nuclear Deal.^{1,2} Adopted in 2015, the JCPOA gave Iran a respite from the sanctions regime that it has sporadically been subjected to since its inception as an Islamic republic in 1979.³ However, stringent sanctions were re-imposed on Iran in 2018, after the US, then under President Donald Trump, withdrew from the deal.⁴

Given Iran's place as ninth-largest oil-producing nation in the world and one of its largest suppliers, these sanctions have caused global oil prices to skyrocket as demand rose and supply declined.^{5,6} The sanctions have been viewed unfavourably by countries that suffered adverse consequences, including India, which is Iran's second-largest

client. Indeed, Iran had dislodged Saudi Arabia as India's second-biggest oil supplier in 2018; the increased oil prices have worsened India's trade deficit, bringing grave economic consequences.^{7,8,9}

Overall, India's relationship with Iran is governed by economic interests, with respect to accessing Central Asian markets through the Chabahar Port in Iran, bypassing regional rival Pakistan.¹⁰ In recent years, India has grown wary of Chinese influence in Iran, as the two countries continue their clandestine trading despite sanctions.¹¹ Therefore, India would expectedly support the revival of the JCPOA. However, notwithstanding the US's and Iran's willingness to re-enter the deal, the existent framework faces many obstacles, and the prospects are dim for a fresh deal being negotiated in the near future.¹²

Crude oil remains central to the Indian economy and constitutes around 25 percent of its imports in a year.¹³ India imports approximately 84 percent of the crude oil it consumes and depends on Iran for 10 percent of these imports.¹⁴ Yet, it is not only the volume that makes Iranian oil crucial for India, but also the favourable terms of trade: a 60-day trade credit, discount on freight and insurance, and payment in rupee terms for 45 percent of the total supply from Iran, helping India save valuable foreign exchange.¹⁵ Iran's importance as a vital strategic partner is accentuated by the fact that these benefits are not provided by other suppliers such as Saudi Arabia, Kuwait, Iraq, and the US.

Moreover, with the Organization of the Petroleum Exporting Countries Plus (OPEC Plus) extending supply curbs to support oil prices amidst long COVID-19 lockdowns, global crude prices have increased further.¹⁷ This contributed substantially to petrol prices crossing INR 100/litre in many parts of India, bringing the government under tremendous scrutiny. Prime Minister Narendra Modi blamed the situation on India's import-dependency, which dates back to the UPA government incumbency, and affirmed his administration's commitment to reducing this dependence.¹⁸ However, data suggests that this will take time, due to the rising trend of fuel consumption in India, coupled with limited capacity-building.¹⁹ Shifting completely to alternative sources of energy, such as natural gas, will be a slow process, since India imports more than half of its requirements.

**Table 1:
India's Imports of
Iranian Crude Oil
(2006–18)**

Year	Approx. Quantity of Crude Oil Imported (In Thousand Tonnes)
2006	12,000
2007	18,000
2008	20,000
2009	23,000
2010	17,000
2011	14,000
2012	15,000
2013	11,000
2014	14,000
2015	12,000
2016	23,000
2017	24,000
2018	26,000

Source: United States Institute of Peace.¹⁶

In the long term, reducing the country’s reliance on crude-oil import is the most feasible solution to easing the burden on citizens, preventing high inflations and bolstering economic growth. In the short run, however, it will be beneficial for India to continue its lucrative crude-oil trade with Iran—and this underlines the importance of lifting sanctions.

Taking advantage of Iran’s non-membership at the World Trade Organization (WTO)—a fact that relieves it from adhering to specified tariff rates prescribed by the body—India and Iran have already conducted five rounds of negotiations over an Iran-India Preferential Trade Agreement (PTA). The PTA allows the two countries to cut tariffs on each other’s products.²⁰ India caters to more than one-third of Iran’s demand for sugar and rice; in the first quarter of 2020, Iran imported some 700,000 tonnes of basmati rice from India. Other agricultural exports to Iran include barley, sesame seeds, cane sugar, and oil cake. In FY19, India’s export basket to Iran was valued at US\$3.5 billion and in the first 10 months of FY20, this value stood at US\$2.8 billion.²¹ Other Indian exports include semi/wholly milled rice, black tea, fertilisers, agro-chemicals, machinery and instruments, polyester yarn, and fabrics.

Despite the possibility of the PTA materialising soon, Iran’s growing closeness with India’s regional rival, China, remains an irritant for New Delhi.²² The benefits of the PTA might be overwhelmed by the formidable interdependence that Iran and China have forged. In March 2021, China and

Iran signed a 25-year US\$400 billion agreement on strategic cooperation, which extends the Belt and Road Initiative (BRI) to Iran; further, the possibility of a China-Russia–Turkey–Iran axis looms large.²³ China has also continued large-scale oil trade with Iran irrespective of sanctions, making it an important ally for the economically floundering Iran.²⁴

Table 2:
China’s Crude Imports from Iran (2006–17)

Year	Approx. Value of Crude Oil Imported (In US\$ Billions)
2006	7
2007	9
2008	14
2009	8
2010	11
2011	19
2012	16
2013	15
2014	18
2015	9
2016	7
2017	11

Source: United States Institute of Peace.²⁵

These economic investments have made India wary of the growing Chinese influence in the region and the possibility that it will block India's efforts to trade with Central Asian countries, where India's reach remains limited despite the immense market potential. To India's advantage, the Chabahar Port has been exempt from sanctions; however, repeated sanctions-imposed delays have prompted Iran to look towards China for port-related operations as it remains crucial to Iranian economic recovery.^{26,27} For India to counter China and secure its economic interests, it must resume robust economic linkages with Iran. To this end, India has reiterated its concerns regarding the US sanctions.²⁸

India and Iran have always shared friendly relations over education, energy, and infrastructural exchanges, rivalry with Pakistan, and their largely anti-Taliban stance and support for a democratic government in Afghanistan.²⁹ However, sanctions-imposed restrictions have weakened India's grip over its strategic and economic partnership with the Shia theocracy. This, in turn, has paved the way for China to utilise Iran's economic distress for building a sturdy association that will adversely affect India's influence over the region. Despite the continued negotiations in Vienna and the change in American presidency, the Iran Nuclear Deal seems to have

reached an impasse. While there is overwhelming interest from both the US and Iran to renew the nuclear agreement, Raisi has refused to negotiate with the US over various issues deemed relevant by the Biden Administration.^{30,31} Regardless of the outcome of the US–Iran negotiations, however, the current situation necessitates that India create alternative approaches to safeguard its interests in Iran, given the latter's strategic and economic significance to the country.

“Sanctions-imposed delays on the Chabahar project have prompted Iran to look to China for port-related operations; India is wary.”

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Raisi and Iran's Geopolitical Chessboard

Kabir Taneja

The election of a new president in Iran in August comes at a precarious time for the global seat of power of Shia Islam, as the country navigates multiple challenges: the Covid-19 pandemic, a flailing economy, regional tensions, and re-negotiating a nuclear deal with the US.¹ Iran's new president, hardliner jurist Ebrahim Raisi, has inherited a moderate political agenda from his predecessor, Hassan Rouhani, who over the past eight years tried to bring Iran back into mainstream global politics via a deal with the West over the country's nuclear programme. In 2018, then US President Donald Trump unceremoniously withdrew from the Joint Comprehensive Plan of Action (JCPOA or the Iran Nuclear Deal), inadvertently pushing the voices of ultraconservative politicians in Iran ahead against the moderates and reformists.

The Iranian conservative class supported Rouhani in the initial years of its term for one primary reason—a bad economy caused by years of Western sanctions. The one way through was to negotiate with the US for an amicable middle-path, which to a large extent was achieved in 2015 when Tehran signed the nuclear agreement with the P5+1 group of countries, after long months of negotiations.² However, domestic issues in Iran have only heightened since then, underlined by recent protests in the country's oil-rich Khuzestan province where four people were reported killed in riots over shortage of water that followed a prolonged drought.³ For Raisi—who won an election which critics say was designed for his victory, and who has his eye on becoming the next Ayatollah—his hands will be full on both domestic and foreign policy fronts.

The regional dynamics, however, are not as critical as many would believe. Trump's exit from the White House gave Tehran breathing room, considering that current President Joe Biden was the Vice President when much of the JCPOA negotiations were taking place. In the US under Trump, the Arab states, particularly Saudi Arabia, found a staunch ally. Trump's regime was a welcome shift for the Arab powerhouses after eight years of the Barack Obama presidency, when relations were full of friction. Using Trump's Washington, the Arab states tried to exert as much pressure as possible to rein Iran in, specifically over its support for Shia militias in Iraq and Syria and the continuing war in Yemen where Tehran has backed the Houthi rebels.

However, for the Gulf, the balance was precarious, as the perceived threat by Iran was being attempted to be managed via an erratic White House. While the likes of Saudi Arabia and the United Arab Emirates (UAE) wanted an upper hand against Iran on geopolitical flares in the region, an outright war—which at times Trump was in favour of—was not in their interest as it would have pushed the region into complete disarray.⁴ Signs of a pullback from the Gulf started in the mid-2020s when the UAE flew in aid into Tehran as the Covid-19 pandemic raged. In April 2021, the media reported that Saudi Arabia and Iran were holding their first clandestine talks in Baghdad, Iraq, as they prepared the foundation for a possible reconciliation in the future.⁵ It was in 2016 when Riyadh had cut all diplomatic ties with Tehran after

protests erupted around the Saudi embassy in the Iranian capital following the execution of Saudi Shia cleric Nimr al-Nimr on alleged terrorism charges.⁶ It came at a time when Riyadh was also warring with the Obama administration over the JCPOA deal.

The reasons why the Saudis looked towards reconciliation with Iran are twofold. First, Iran, via its proxies, has managed to spread itself into conflict theatres such as Iraq and Syria to an extent that it has proven to Riyadh that a military push-back was no longer an option. The UAE's withdrawal from the Yemen conflict only deepened these fissures between Riyadh and Abu Dhabi over the future course on both, conflicts such as Yemen, and on how to deal with Tehran.⁷ Second, heir-apparent Crown Prince Mohammed bin Salman has plans to end the Saudi economy's near-complete dependency on oil and open up the kingdom to foreign investments and international trade, similar to what neighbour UAE has achieved with Dubai (and now even Abu Dhabi). Saudi Arabia is aware that in order to do this successfully, it should steer away from ultra-conservative Wahhabism as its main theological doctrine, and begin adopting a comparatively more moderate line of Islam, one that will be palatable to the international community.⁸

To conduct such a mammoth shift in state structure, Riyadh will require relative geopolitical peace in the region to avoid getting distracted on its domestic mandate. With both these points currently in play, Iran's main rivalry has been narrowed down to Israel—a rivalry which continues to play out significantly as Jerusalem remains committed to thwart any regional gains for Iran that the JCPOA may offer.⁹

For Raisi, a point of inflection could come on Iran's eastern front, in Afghanistan. The rise of the Taliban and the US withdrawal from Afghanistan after nearly 20 years of war is pushing the country closer to a civil war, with the Taliban making inroads into capturing territory and pushing the Afghan government and the armed forces on the defensive. However, a Taliban push against minority Shia Hazara population in Afghanistan has already seen the emergence of Iran-backed militia ecosystems to fight against Taliban transgressions.¹⁰ In the early 1980s, Iran had recruited Shia fighters in Afghanistan and formed the Liwa Fatemiyoun brigade, a militia comprising Afghan Shia Hazaras and formed during the Afghan-Soviet war by Afghan Shias loyal to Ayatollah Khomeini.¹¹ More recently, the brigade members fought in Syria on behalf of the Iranians, and many have returned as battle-hardened fighters that could be tapped by Tehran to protect the Shia minority population and prevent a refugee exodus into its borders.


The new president could well initiate a regional effort as the Afghan crisis evolves. Indeed, India has already orchestrated multiple efforts to reach out to Tehran on this issue, and Indian Minister for External Affairs, S Jaishankar, had already met Raisi even before the president was sworn in (and later also attended the swearing in ceremony in August 2021.)¹² The evacuation of India's consulate in Kandahar in July 2021 was also an example of how New Delhi and Tehran can cooperate, with the Indian Air Force using the Iranian city of Zahedan as staging ground for the evacuation mission to avoid involving Pakistan and its airspace.¹³

Over the past few months, India has held close consultations with Iran on the issue of Afghanistan. Despite issues such as roadblocks in India–Iran relations, and the loss of energy trade due to US sanctions, New Delhi has more than often advocated Washington D.C. for sanction waivers to continue its trade with Tehran. To this effect, India also helped the US build the narrative in an effort to push Tehran to commit to the nuclear deal. These subtle yet important events in the India–Iran bilateral stand tall as the strategic position of Iran in New Delhi's calculus gets heightened amidst increasing instability in Afghanistan, the aftershocks of which could be felt across Central Asia.

“For Raisi, a point of inflection could come on Iran’s eastern front, in Afghanistan.”

Finally, Raisi’s tenure as president will bridge a significant gap within Iran’s political and military structures—that of between the president and the Supreme Leader. Much of the regional and foreign policies are handled directly by the all-encompassing Islamic Revolutionary Guards Corps (IRGC) which reports and works directly under the auspice of the Ayatollah. Since the killing of erstwhile IRGC general and commander of the Quds Force Qassim Soleimani in a US drone strike in Baghdad in 2020, the IRGC backed by the conservatives has stamped an even stronger hand over Iranian politics, in the process sidelining the moderates, including Rouhani and Foreign Minister Javad Zarif.

There may or may not be drastic changes in the initial stages of Raisi’s presidency. Yet, the big story here is the diminishing role of the country’s moderates over the past few months, and the long road ahead for the moderate leaders to rebuild their

ecosystem. For the likes of Raisi, the US backing out in 2018 proved every fear they had aired to the Ayatollah who had then blessed Rouhani’s attempts to negotiate with the West. While Raisi will not pull the plug on the JCPOA negotiations, the terms and conditions from the Iranian side may shift significantly. Despite this, scholars such as Vali Nasr have argued that this, in fact, may be the best time to get a deal with Iran. Nasr says: “(Iranian) hardliners would never accept an agreement signed by a moderate – but they will fall into line if it comes from one of their own.” The next few months will make it clear whether this prophecy has merit, and if under Raisi, Iran will in fact find a way out of its stalemate with the US.¹⁴ 

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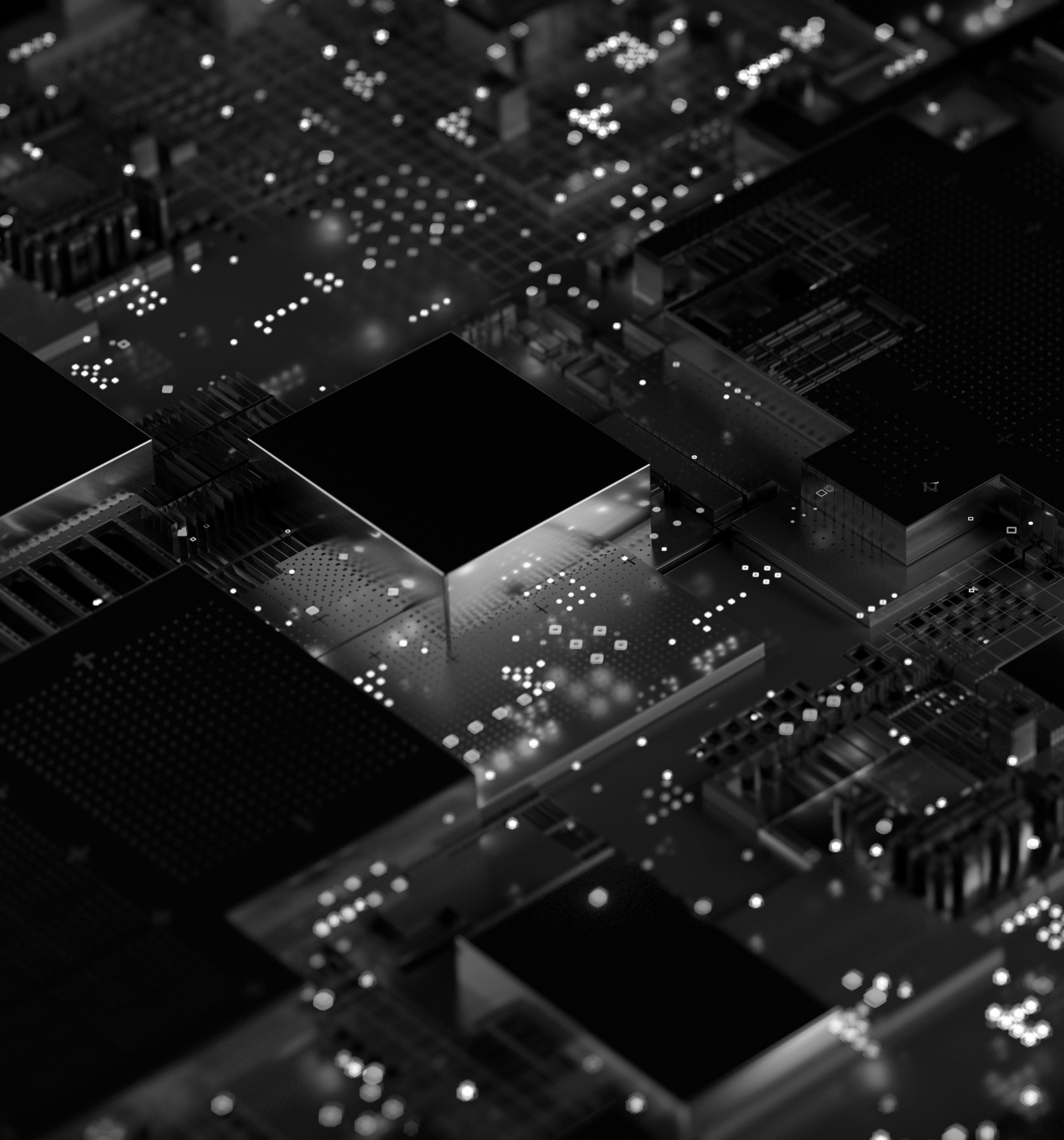
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