Q20

In what ways would the ongoing US-Iran Nuclear Pact Controversy affect the national interest of India? How should India respond to its situation? (15).

UPSC Civil Services Mains 2018 · GS II · 15 marks · Governance and Policy

Government policies and interventions for development in various sectors and issues arising out of their design and implementation.

Core demand of the question

- In what ways would the ongoing US-Iran Nuclear Pact Controversy affect the national interest of India? How should India respond to its situation?

Revision summary

The 2015 JCPOA traded nuclear limits for sanctions relief; the United States left it in May 2018.

India's interests affected are crude supply, banking access, Chabahar, Hormuz, the Gulf diaspora and ties with Washington.

Unilateral U.S. sanctions bind Indian firms through the dollar even when India does not legislate them.

- **Response:** back the UN deal, diversify oil, seek waivers, protect Chabahar, and avoid military or bloc language.

Strategic autonomy here is hedging, not a speech against either capital.

Introduction

The Joint Comprehensive Plan of Action of 2015 capped Iran's nuclear programme in return for sanctions relief, and the UN Security Council endorsed it. In May 2018 the United States left the pact and prepared to snap back extra-territorial sanctions. India's national interest sits on both sides of that quarrel: energy and Chabahar on one side, a deepening partnership with the United States on the other. The response has to be strategic autonomy with a clear energy and connectivity hedge, not a slogan from either capital.

Body

How the controversy touches India's interests

- **Energy:** Iran has been a nearby, often discounted, crude supplier. Secondary U.S. sanctions raise the price of Indian oil, widen the current-account gap, and push refiners toward other Gulf, Atlantic and later Russian barrels. Inflation and the rupee feel a nuclear dispute that India did not start.
- **Banking and firms:** U.S. dollar clearing, insurance and CAATSA-type risk make Indian companies drop Iran trades even when New Delhi does not pass a matching statute. National interest includes the freedom of Indian banks to lawfully trade; extra-territorial law shrinks that freedom.

• **Chabahar and Afghanistan:** the port and the wider INSTC idea give India a route to Afghanistan and Central Asia that does not depend on Pakistan. If the controversy kills waivers for Chabahar, connectivity and the Afghan stake suffer.

• **Farzad-B and gas:** delayed energy investments become stranded-diplomacy assets when U.S. law and Iranian politics both harden.

• **Regional security:** a collapsed pact raises the chance of Iranian breakout, Israeli or U.S. strikes, and trouble in the Strait of Hormuz, through which a large share of India's oil moves, including non-Iranian cargo. Hormuz insurance is an Indian interest even if Iranian barrels fall to zero.

• **Diaspora and the Gulf:** millions of Indians in the GCC need a calm Gulf. Escalation is a consular and remittance risk.

• **The U.S. partnership:** defence logistics, technology, and the Indo-Pacific balance with China are also national interests. Open defiance of U.S. Iran policy has a price in waivers, visas and high-technology trust.

• **Rules and autonomy:** India has long said that UN Security Council sanctions bind, and unilateral sanctions do not automatically. The controversy tests whether that doctrine can still be practised in a dollar system.

How India should respond

• **Hold the legal line:** support the JCPOA as a UN-backed non-proliferation bargain and urge all parties, including Tehran, to return to verified limits. India has no interest in a nuclear-armed Iran or in a war on Iran.

• Practise de-risked engagement, not theatrical alignment. Seek time-limited oil waivers where they exist; use rupee or designated-bank channels only within what Indian financial stability can bear.

• **Diversify crude at speed:** longer-term contracts with Iraq, Saudi Arabia, the UAE and others, strategic petroleum reserves, and demand restraint so that no single sanctioned barrel can shock the CPI.

• Ring-fence Chabahar as a humanitarian and Afghan-access project in talks with Washington, which is how earlier waivers were argued, and keep INSTC work on a modest, legal track.

• Speak to Tehran on the need to stay in the nuclear deal and to keep the Strait open; speak to Washington on India's energy poverty and Afghan stakes without offering to police the Gulf.

• Coordinate with Europe, Japan and others who also wanted the pact to live; a middle-power chorus is more useful than a solo lecture.

• **Prepare consular and shipping contingencies for Hormuz disruption:** convoy diplomacy, insurance, and alternate routes around the Cape if needed.

• Do not trade the Iran file for unrelated concessions that harm other interests (for example a one-sided trade deal). Issue-linkage is how a controversy captures the whole relationship.

• **Keep the public line boring and consistent:** non-proliferation, UN framework, energy security, Chabahar, and dialogue. Dramatic swings between "look West" and "ignore Washington" raise the risk premium on India itself.

Flow diagram

JCPOA 2015 and US exit 2018 -> Indian oil and rupee
JCPOA 2015 and US exit 2018 -> Chabahar INSTC Afghanistan
JCPOA 2015 and US exit 2018 -> Hormuz security
JCPOA 2015 and US exit 2018 -> US strategic partnership
Response -> Autonomy waivers diversify oil
Response -> Chabahar INSTC Afghanistan

Conclusion

The US-Iran nuclear-pact controversy hits India through oil prices, extra-territorial banking fear, Chabahar and Afghan access, and Hormuz risk, while the U.S. strategic partnership remains a parallel interest. India should respond by defending the UN-backed deal, diversifying energy, ring-fencing Chabahar, and talking to both sides without joining a war or a sanctions crusade. That is autonomy as risk management, which is what national interest requires in this file.

Facts & figures

JCPOA, 2015
Deal among Iran, the P5+1 and the EU; endorsed by UN Security Council Resolution 2231.

U.S. withdrawal, 8 May 2018
President Trump announced exit and re-imposition of extra-territorial sanctions in stages.

Chabahar Port
India's connectivity project in Iran for Afghan and INSTC access, often argued as distinct from nuclear sanctions.

Strait of Hormuz
Chokepoint for a large share of India's energy imports, including non-Iranian cargo.

CAATSA
U.S. law that can penalise significant transactions with Iran (and other listed states), raising compliance costs for Indian firms.