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The Big Picture: West Asia Crisis & India

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The escalating tension between Iran and the USA is leading to a situation of crisis in the West Asian region. The United States of America has struck a significant blow against Iran by killing the Commander of **Iranian Quds Force - General Qasem Soleimani** in an airstrike near Baghdad International Airport.

This has led to an escalation of tensions between the two nations which is expected to affect Indian interests as well. India has consistently advocated restraint to such situations as it has vital interests in the region in the form of its **large diaspora and oil & gas demand.**

Timeline

- The recent issue began in **May 2018**, when the **US walked out of Iran Nuclear Deal** viz., **Joint Comprehensive Plan of Action (JCPOA)**. Then it imposed constant pressure of sanctions on Iran to make it economically weak.
- Tensions escalated in **December 2018**, when an Iranian-backed militia fired rockets at a military base near the northern Iraqi city of Kirkuk. In this attack, an American contractor was killed.
- In retaliation, the US launched missile strikes against Iraqi militias, which in turn, led to an assault on the U.S. Embassy in Baghdad by the Iraqi Shia protesters. Later, the US evacuated its personnel and sent its submarines to the adjoining region.
- Finally, a retaliatory strike by the United States killed Qasem Soleimani- a top Iranian military commander, which makes Iranian retaliation inevitable.

This is evident from the case of **US Embassy Hostage Crisis 1979** when 52 Americans were held as hostages by Iranian protesters for 444 days.

- Also, Iran's Supreme Leader Ayatollah Ali Khamenei has proclaimed that the jihad of resistance against all enemies will continue with a doubled motivation. Meanwhile, the US has urged all its citizens to leave Iraq immediately.

Death of Qasem Soleimani

- General Soleimani contributed significantly in raising **Iran's military force**. He was the architect of nearly every significant operation by Iranian intelligence and military forces over the past two decades. In 2019, he was awarded the **Order of Zolfaghar medal - Iran's highest military honour**.
- He joined the **Revolutionary Guards** (declared a foreign terrorist organisation by the US in 1979) taking over as head of the **Quds Force in 1998**.
- He played a key role in supporting and coordinating with Iran's allies across the region, especially in Iraq. Soleimani's forces also **defeated ISIS forces inside Syria & Iraq**.
- His death is a staggering blow for Iran at a time of sweeping geopolitical conflict. And is also expected to increase the turmoil in the already turbulent Syria.

Global Perception on Actions of US & Iran

- For the past 4 decades, the war-like scenario between US & Iran has always prevailed because of which Iranian military forces could not be modernized. Although during this long period, Iran built two things:
 - **Missiles, and**
 - **Asymmetric Warfare**, i.e., Iranian militia.
 - General Soleimani played a significant role in these two areas. He created a network of groups like **Houthis, Hezbollah, Hamas**, etc. to maintain its supremacy in the region.
- By many world leaders, the **act of killing Soleimani** is seen as a provocative measure of the US. Some perceive it as an **act of declaration of war**.

- However, a few of them also claim that it is only a manifestation of the **US hegemony** in the Middle East, as the US is only using its military bases and not doing anything substantial (like deploying troops in the region).
- **Israel Angle:** Israel and Iran stand as two poles. Israel since years has been waiting for the direct strike on Iran (as Iran is the only big country in the region which is not allying with the US).
 - Currently, Israel is facing internal political turmoil regarding the leadership of the country, so it might restrain itself.
 - However, the Iranian government is also under imminent pressure from its nationals to respond back to the situation, which if not done, will raise questions related to the credibility of the Government.

Global Concerns

- **Iran's Economy:** Iranian Economy is in bad shape due to sanctions and depressed oil prices and is struggling to be on track. At present, both the US and Iran do not want to stop the supply of oil.

Currently, **China** (ally of Iran) is the **single largest buyer of oil from Iran**. China does not want any turbulence in oil prices, hence it continues to support Iran.
- **Regional Security:** US engagement in Afghanistan is expected to get affected and the enhanced role of Pakistan for that purpose will come into play.



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India's Concerns

Economic

- **Oil & Gas Supply:** The conflict can affect oil supplies in the country. Immediately after the strike, the oil prices shot up by almost 4%.
 - **India imports more than 70% of the oil** it needs. Thus, a spike in the price of oil makes a big difference not just to domestic cost conditions but also to the **balance of payments**. Also, Iranian oil is **cheaper and suitable** for Indian refineries.
 - **Also**, most of the natural gas is imported from the Persian Gulf. However, this can be imported from other places.
 - **Presently, India's foreign exchange reserves** are relatively comfortable, at over \$450 billion, and can easily cover 9-10 months' imports at current prices. However, an increase in the price of oil would lead to an increase in the Current Account Deficit and erosion of this buffer. Hence, there is a need to increase the forex buffer.
 - Also, the choking of **Strait of Hormuz** would lead to a super spike in prices globally. And the supply cut as decided by **Organisation of the Petroleum Exporting Countries plus (OPEC+)** countries will lead to further escalation in prices.
- **Diaspora: Large Indian diaspora** (more than 7-8 million NRIs are there in the Gulf region) in West Asia and particularly in the Persian Gulf, might get affected due to the tension in the region.
 - Their safety will have to be a priority. India has in the past organised big evacuations famously from **Kuwait (1990)** at the time of the first Gulf War, and most recently from **Libya (2011)**.
 - However, the scale of any evacuation from the Gulf on this occasion would be even larger even if it remains relatively unlikely. Enhanced tensions might cause a large number of guest workers to return to India.
- **Remittances:** To India, **largest global remittances** of around \$85 billion come annually and almost more than 50% comes from this region (contributing to around 2.6% of the **Gross Domestic Product**). Any turbulence in the Gulf will expatriate our nationals from this region leading to a big dent on our forex reserves.

Connectivity

- **Strategic connectivity interests** of India might get affected. This includes the **port of Chabahar** in Iran, linking India to **Afghanistan and Central Asia**.
- The project which received a rare exemption from US sanctions, but in the event of an escalation of tensions the viability of other connectivity projects will also get compromised and a need to look at alternate routes to Afghanistan will rise.

Geo-Political

Iran's location holds a significant position for India as it acts as a connecting link for both **West Asia and Africa region**. India can only **access Afghanistan and Central Asia** through Iran only. Hence any turmoil in the region can diminish India's role in the region.

Cultural

Last but not least, after Iran, India has perhaps the largest number of the world's Shia population and the possibility of some of them being radicalised by this event cannot be ruled out.

Options Before India

- **Mediating Role:** India has a very strong case to appeal for de-escalation as it had equity on both sides of the Gulf (with a trade of over \$200 billion) and large diaspora in Iran. Hence, India should play a proactive role in mediation for long-term gains. However, India talked to both sides but is avoiding playing the role of a mediator.
- **Substitutes for Oil:** India should be relooking at options for oil supply in the worst-case scenario of disruption in oil supplies.
 - Other countries are going to support India's oil supply but overall global oil prices are going to rise. **Africa** has although offered the same.
 - Also, in cases of emergency, buffering for oil and natural gas needs to be maintained.
- **Evacuation:** In case of a war, preparation for evacuation of our large diaspora should be done.
- **Foreign Reserve:** Foreign reserves of India needs to be enhanced to cope up with the situation of emergency. In this regard, agreeing with **Japan** to access its reserves in the form of **currency swap agreement** can be crucial.

Way Forward

- **De-escalation:** This would require firm political will at the highest level from every directly or indirectly involved stakeholder (like US, Iran, Russia, etc). After the sanctions, Iranians have become hostile towards the US because of the economic hardships they have to face.
 - Iran is also cautious and has informed the world leaders if Iran is targeted by the US from their soil, then they will become the direct target of Iran. Hence, Iran is now focusing on its asymmetrical warfare techniques.
 - Hence, world leaders need to pacify both the US and Iran keeping in mind the possible outcomes of a war.
- **Afghan Peace:** India needs to increase its **engagement with Afghanistan** in order to contain the increasing role of Pakistan in Afghanistan.
- **Role of Iraq:** The Government of Iraq needs to restrict the presence of American forces within their State and take strict action against US forces stationed in Iraq.

- **India's Role: Diplomatically**, India has a longstanding relationship with both Iran and the US. Therefore, can play a key role in de-escalating the situation.