

India–Iran Relations: Past, Present and Future — An Analytical Assessment

Parhlad Singh Ahluwalia, Jamia Hamdard, New Delhi, India

Abstract

India and Iran are two ancient civilisations whose relationship, spanning over two and a half millennia of cultural and commercial contact, has in the modern era been shaped as much by geography and history as by the shifting architecture of great-power politics. This paper undertakes a full analytical review of Indo-Iranian relations across three temporal frames: the historical evolution of ties from antiquity through the Cold War and the post-1991 period; the contemporary state of relations characterised by trade, energy, connectivity (notably the Chabahar port and the International North-South Transport Corridor), regional security, and the destabilising effects of the June 2025 Israel-Iran war; and the probable future trajectories of the relationship under conditions of renewed United States sanctions, regional volatility, and India's own strategic autonomy doctrine. Using a qualitative, document-based and data-triangulated method, the paper draws on official government statements, trade statistics from the Government of India and UN COMTRADE, and secondary scholarly literature. The analysis finds that Indo-Iranian relations are best characterised as a case of "constrained partnership" — a relationship rich in civilisational affinity and geostrategic logic but persistently narrowed by extraterritorial sanctions, Iran's regional isolation, and India's competing relationship with the United States, Israel and the Gulf Arab states. The paper concludes that the future of the relationship will depend on India's capacity to institutionalise a sanctions-resilient connectivity architecture while preserving its broader strategic partnerships.

Keywords: India-Iran relations; Chabahar port; INSTC; sanctions; strategic autonomy; South Asia; West Asia; foreign policy

1. Introduction

Bilateral relationships between major regional powers are rarely static; they evolve through phases of convergence and divergence shaped by domestic political change, shifting alliance structures, and the broader currents of international order. Few dyads illustrate this dynamism as vividly as the relationship between the Republic of India and the Islamic Republic of Iran, two states whose populations, taken together, exceed 1.5 billion people and whose combined geographic footprint spans the length of the Indian Ocean's northern littoral, from the Arabian Sea to the Bay of Bengal.

The relationship between India and Iran is among the oldest continuous bilateral relationships in the international system, predating the modern nation-state itself. Long before the Islamic Republic and the Republic of India came into being as sovereign entities, the Indus and Persian civilisations were bound together by trade caravans along the Silk Route, by the maritime commerce of the Arabian Sea, and by a shared linguistic and artistic heritage that left an indelible imprint on Indian courts, Mughal architecture, Urdu literature and Zoroastrian communities such as the Parsis who found refuge on India's

western coast [1]. This civilisational depth has, however, never translated into an uncomplicated strategic partnership. In the twentieth and twenty-first centuries, the India-Iran relationship has been repeatedly pulled between the logic of geography — which places Iran as India's gateway to Afghanistan, Central Asia and the energy-rich Persian Gulf — and the logic of geopolitics, which has embedded Iran within a web of Western, and particularly American, sanctions regimes that constrain any state seeking deep engagement with Tehran.

This tension has only intensified in the second half of the 2020s. On the one hand, India's civilisational stake in Iran remains undiminished: the Chabahar port, developed with Indian investment, is frequently described in Indian strategic discourse as the country's only sea-land bridge to Afghanistan and Central Asia that bypasses Pakistan [2]. On the other hand, the reimposition and expansion of United States sanctions under the renewed "maximum pressure" policy, the twelve-day Israel-Iran war of June 2025, and the consequent evacuation of thousands of Indian nationals under Operation Sindhu have exposed the fragility of India's Iran policy to forces entirely outside New Delhi's control [3,4]. It is against this backdrop that a systematic, analytically grounded re-assessment of the India-Iran relationship becomes necessary.

This paper is structured around three temporal registers — the past, the present, and the future — in order to capture both the continuities and the discontinuities in the relationship. It argues that Indo-Iranian relations are best understood not as a conventional strategic partnership of the kind India shares with Russia or, increasingly, the United States, but as what this paper terms a constrained partnership: a relationship whose civilisational and geo-economic logic is consistently real, but whose operational bandwidth is narrowed by an external sanctions architecture that neither New Delhi nor Tehran controls. Understanding this constrained character is essential to formulating realistic policy prescriptions for the future of the relationship.

The stakes of this analytical exercise extend beyond the bilateral relationship itself. Iran occupies a pivotal position at the intersection of South Asia, Central Asia, the Persian Gulf and the Caucasus, and India's ability — or inability — to sustain a functioning relationship with Tehran carries direct implications for India's connectivity ambitions in Afghanistan and Central Asia, for the credibility of its stated commitment to strategic autonomy in an increasingly bipolar or multipolar international order, and for the wider contest between India-backed and China-backed connectivity architectures in the Indian Ocean Region. A rigorous account of the relationship is therefore of interest not only to South Asia specialists but to scholars of sanctions regimes, connectivity geopolitics, and the foreign policy of rising middle powers more generally.

2. Literature Review

Scholarship on Indo-Iranian relations can be broadly grouped into three overlapping strands. The first strand, rooted in civilisational and cultural history, examines the transmission of Persian language, art and administrative practice into the Indian subcontinent and treats the modern bilateral relationship as an extension of a much older cultural continuum [1,5]. The second strand, dominant in the strategic-studies literature, analyses Iran's significance to India primarily through the lens of energy security and connectivity, with Chabahar port and the INSTC occupying a central place in this body of work; such studies typically emphasise Iran's role as an alternative to Pakistan-dependent transit routes to

Afghanistan and Central Asia [2,17]. The third strand, more critical in orientation, foregrounds the constraining effect of the international sanctions regime on Iran and situates India's Iran policy within a broader analysis of how secondary sanctions reshape the foreign-economic-policy choices of third countries such as India, Japan and South Korea [8,16,19].

A recurring gap in the existing literature, which this paper seeks to address, is the relative paucity of integrated analyses that connect the historical, economic and security dimensions of the relationship within a single analytical frame while also incorporating the most recent developments — the 2024 Chabahar operating contract, the September 2025 revocation of the port's sanctions exception, and the June 2025 Israel-Iran war and Operation Sindhu — that have materially altered the operating environment of the relationship. Much of the connectivity-focused literature, in particular, was written prior to these events and therefore presents an optimistic assessment of Chabahar's trajectory that the 2025-26 record substantially revises. This paper's contribution lies in synthesising the civilisational, economic and security literatures with the most current documentary record available, and in proposing the "constrained partnership" framework as an organising concept for understanding the relationship's characteristic cycle of convergence and contraction.

3. Theoretical Framework

This paper situates its analysis within a neoclassical realist framework, which holds that a state's foreign policy behaviour is shaped by systemic pressures — in this case, the structure of American-led secondary sanctions and the broader balance of power in West Asia — as mediated through domestic-level variables such as strategic culture, bureaucratic capacity and leadership perception [7]. Neoclassical realism is particularly well suited to explaining the India-Iran case because it accommodates the observed pattern of the relationship: systemic constraints (sanctions, the Israel-Iran conflict) consistently override the unit-level preference, held with some consistency across successive Indian governments of differing ideological orientation, for a functioning connectivity and energy relationship with Tehran.

A complementary lens is provided by India's own doctrine of "strategic autonomy," understood as the pursuit of diversified, non-exclusive partnerships that maximise India's freedom of manoeuvre rather than binding it to any single alliance structure. Strategic autonomy, as applied to the Iran case, explains why India has been reluctant to either fully align with the American sanctions regime (by severing all Chabahar-related engagement outright) or to defy it outright (by continuing operations in open breach of the Iran Freedom and Counter-Proliferation Act). Instead, India's characteristic response — securing waivers, negotiating managed divestment, retaining contractual rights of return — reflects a distinctly Indian style of hedging behaviour that seeks to preserve future optionality while minimising present exposure to sanctions risk. This hedging pattern, observable across the Chabahar episode, the Farzad-B gas field negotiations, and India's continued but carefully calibrated purchase of discounted Russian oil despite Western disapproval, forms a recognisable and recurring feature of contemporary Indian foreign economic policy that this paper terms "calibrated engagement."

4. Objectives and Methodology

The paper pursues four specific objectives: first, to trace the historical evolution of Indo-Iranian relations from antiquity to the eve of the twenty-first century; second, to provide a comprehensive, data-driven account of the contemporary relationship across the political, economic, energy, connectivity and security domains; third, to analyse the structural drivers and constraints that shape the relationship, with particular attention to the role of third parties such as the United States, Israel, China and Pakistan; and fourth, to construct plausible future scenarios and derive policy-relevant recommendations for Indian foreign policy.

Methodologically, the paper adopts a qualitative, interpretive approach grounded in documentary and archival analysis. Primary sources include statements and press releases of India's Ministry of External Affairs (MEA), joint statements issued after bilateral summits, and trade data compiled by India's Ministry of Commerce and Industry and the United Nations Commodity Trade Statistics Database (UN COMTRADE). Secondary sources include peer-reviewed scholarship on South Asian and West Asian international relations, reports from established think tanks, and reputable news media coverage of fast-moving developments such as the 2025 Iran-Israel war. Where quantitative trade and energy data are available, the paper presents them in visual form — as bar and pie charts — to allow the reader to apprehend trends that are otherwise difficult to convey in prose alone. The analysis is time-bound to developments up to September 2026 and should be read as a snapshot of a relationship that, by its nature, remains in flux.

It is important to acknowledge certain limitations of the present study. First, given the rapidly evolving nature of the subject matter — particularly the status of the Chabahar sanctions waiver and the broader Iran-Israel-United States triangle — some factual particulars may be superseded by developments occurring after the paper's September 2026 cut-off. Second, the paper relies substantially on open-source government statements and media reporting rather than classified or restricted-access material, a limitation common to unclassified foreign-policy scholarship but one that may understate the extent of informal or discreet cooperation between the two governments, for instance in intelligence-sharing or back-channel diplomacy, which by their nature leave little public documentary trace. Third, the trade statistics cited are drawn from more than one data source (the Government of India's Ministry of Commerce and Industry, and UN COMTRADE), which employ differing methodologies, classification years and reporting lags; consequently, absolute figures should be read as indicative of order of magnitude and directional trend rather than as perfectly reconciled national accounts.

5. Historical Trajectory of Indo-Iranian Relations: The Past

5.1 Civilisational and Cultural Foundations

The historical relationship between the Indian subcontinent and the Iranian plateau dates back to the Achaemenid period, when parts of northwestern India fell under Persian imperial administration, facilitating the transmission of the Kharosthi script, Persian administrative practices, and early trade networks [1]. Over subsequent centuries, the relationship deepened through the movement of traders, mystics and scholars along both overland Silk Route branches and maritime routes connecting Gujarat and the Malabar coast with the Persian Gulf. The Persian language became the language of high culture

and administration in large parts of India for nearly seven centuries, from the Delhi Sultanate through the Mughal Empire, leaving a permanent linguistic residue in Urdu, Hindi bureaucratic vocabulary, and the visual grammar of Indo-Islamic architecture, from the Taj Mahal to the gardens of Kashmir [1]. The migration of Zoroastrian Persians — the Parsis — to Gujarat from the eighth century onward added a distinct religious and entrepreneurial community to India's social fabric, one that would later produce industrial houses such as Tata that remain central to the Indian economy. This deep civilisational entanglement is routinely invoked by leaders of both countries as the bedrock upon which the modern relationship rests, even when contemporary politics pulls the two states in different directions.

5.2 The Formative Post-Independence Phase (1947-1979)

India's independence in 1947 and the accession of the Pahlavi monarchy's foreign policy to the Western camp during the early Cold War initially produced a period of cautious, correct but not particularly warm relations. Iran under Shah Mohammad Reza Pahlavi aligned with the United States-led Baghdad Pact and later the Central Treaty Organisation (CENTO), while India pursued the Non-Aligned Movement under Jawaharlal Nehru — a divergence of bloc alignment that limited strategic convergence even as diplomatic relations were formally established and trade in traditional commodities continued [5]. Nonetheless, the Shah's regime and India maintained cordial state-to-state relations, exchanging high-level visits, and Iran was among the important suppliers of crude oil to a resource-poor India during the 1960s and 1970s. India's tilt toward the Soviet Union after the 1971 Indo-Pakistani war and the Indo-Soviet Treaty of Peace, Friendship and Cooperation added a further layer of complexity, as Iran under the Shah was viewed in Washington as a bulwark against Soviet influence in the region — a role inherently in tension with India's own foreign policy orientation of the period.

5.3 The Islamic Revolution and Reorientation (1979-1991)

The Iranian Revolution of 1979 fundamentally reordered the strategic environment of West Asia and, with it, the terms of India's relationship with Iran. The overthrow of the Pahlavi monarchy and the establishment of the Islamic Republic under Ayatollah Ruhollah Khomeini removed Iran from the Western alliance system altogether, a development that in principle should have created greater room for convergence with non-aligned India. In practice, the 1980s were dominated by the Iran-Iraq War (1980-1988), during which India maintained careful neutrality while continuing limited trade with both belligerents, and by the domestic consolidation of the new Iranian theocracy, which left comparatively little diplomatic bandwidth for deepening ties with New Delhi [5]. India's own foreign policy during this decade remained preoccupied with subcontinental concerns — relations with Pakistan, the Afghan conflict following the Soviet invasion of 1979, and its non-aligned balancing between Washington and Moscow. The relationship during this period can therefore be characterised as one of correct coexistence rather than active partnership.

5.4 Post-Cold War Consolidation and Strategic Convergence (1991-2001)

The end of the Cold War and India's 1991 economic liberalisation opened a new chapter. Freed from the binary alignments of the bipolar era, and pursuing its "Look West" impulses alongside the better-known "Look East" policy, India sought to rebuild ties with both Iran and the Gulf Arab states. A significant strategic convergence emerged over Afghanistan in the 1990s: both India and Iran, along with Russia, supported the Northern Alliance against the Taliban regime that had seized Kabul in 1996 with Pakistani backing, creating a rare instance of concrete security cooperation between New Delhi

and Tehran that was rooted in shared opposition to Sunni extremism on their common periphery [6]. This period also saw the conceptual genesis of the Chabahar port project and what would later become the International North-South Transport Corridor (INSTC), as Indian planners began to recognise Iran's potential as a transit corridor to landlocked Afghanistan and Central Asia, circumventing the persistent unavailability of transit through Pakistan.

5.5 The Tehran Declaration and the Strategic Partnership Era (2001-2015)

The visit of Iranian President Mohammad Khatami to India as chief guest at the 2003 Republic Day celebrations, and the signing of the Tehran Declaration and subsequently the New Delhi Declaration, marked the formal articulation of a "strategic partnership" between the two countries, encompassing energy, connectivity and defence-related dialogue [7]. In 2003, India and Iran signed an inter-governmental memorandum of understanding on developing Chabahar port, laying the institutional foundation for what would become the centrepiece of the connectivity relationship two decades later. This period also witnessed India's participation in early iterations of the proposed Iran-Pakistan-India (IPI) gas pipeline, a project that ultimately foundered on the shoals of India-Pakistan tensions and mounting Western pressure on Iran's nuclear programme. Indeed, the decade after 2003 was increasingly overshadowed by the international controversy over Iran's uranium enrichment activities: India's vote against Iran at the International Atomic Energy Agency (IAEA) Board of Governors in 2005 and 2009, taken under considerable American pressure, created friction with Tehran even as bilateral energy trade continued to grow, illustrating the structural bind that would come to define the relationship in subsequent decades — India's simultaneous need for good relations with Iran and its inability to insulate that relationship from the preferences of Washington [8]. The 2015 Joint Comprehensive Plan of Action (JCPOA), which temporarily lifted nuclear-related sanctions on Iran, briefly created renewed optimism, providing the diplomatic opening for Prime Minister Narendra Modi's landmark 2016 visit to Tehran, during which the trilateral Chabahar transit agreement between India, Iran and Afghanistan was formally signed.

5.6 The Farzad-B Gas Field and the Limits of Energy Diplomacy. A particularly instructive episode illustrating the structural constraints on the relationship is the long-running saga of the Farzad-B gas field in the Persian Gulf, discovered in 2008 by a consortium led by India's ONGC Videsh Limited (OVL) at a reported exploration cost exceeding US\$100 million. Despite more than a decade of negotiation, repeated Iranian invitations to develop the field, and periodic Indian expressions of interest, the project was never brought to fruition, with Tehran ultimately reassigning development rights to a domestic Iranian entity in 2020 [8]. Indian commentary attributed the collapse of the Farzad-B negotiations to a combination of sanctions-related financing constraints, Iranian dissatisfaction with the commercial terms offered by OVL, and New Delhi's own reluctance to commit substantial capital to a sanctioned jurisdiction at a time when its relationship with Washington was assuming ever greater strategic importance. The episode is frequently cited in Indian policy circles as a cautionary precedent for the country's approach to subsequent large-capital Iran-related commitments, including Chabahar.

5.7 Institutionalising Cultural Diplomacy

Alongside high politics, both states have over the decades invested in institutional vehicles for cultural diplomacy. The Indian Council for Cultural Relations (ICCR) has long supported Persian-language chairs and visiting faculty positions at Indian universities, while Iranian cultural centres in New Delhi,

Mumbai, Hyderabad and Lucknow have sponsored Persian-language teaching, translation of classical and modern Persian literature, and commemorations of shared literary figures such as Amir Khusrau, whose thirteenth-century oeuvre fused Persian and Hindavi idioms [1]. These institutions, though rarely the subject of high-level diplomatic communiqués, have provided a stable substratum of cultural exchange that has persisted largely unaffected by the sanctions-driven volatility of the economic and energy relationship, reinforcing the point made throughout this paper that Indo-Iranian ties operate at several largely decoupled levels — civilisational, economic and strategic — that do not always move in tandem.

5.8 The Farzad-B Sequel and Broader Energy Diversification

The eventual closure of the Farzad-B file in 2020 coincided with, and arguably reinforced, a broader Indian strategic turn toward energy diversification that would prove consequential in subsequent years. Even as New Delhi absorbed the loss of Iranian crude after 2019, it accelerated efforts to build long-term supply relationships with the United States, whose crude exports to India rose more than four-fold between 2017-18 and 2018-19 alone, and subsequently with Russia, whose share of Indian crude imports rose from under two per cent in 2021-22 to roughly a third of the total by 2024-25 following the discounts available in the aftermath of Western sanctions on Moscow over Ukraine [16]. This pattern of opportunistic diversification — substituting one sanctioned or geopolitically risky supplier (Iran) with another (Russia) when commercial terms proved favourable enough — is itself revealing of the pragmatic, interest-based character of Indian energy policy, in which ideological or civilisational considerations consistently yield to hard calculations of price, credit terms and supply security.

6. The Present State of Indo-Iranian Relations

6.1 Political and Diplomatic Engagement

Contemporary Indo-Iranian diplomacy is conducted through a structured architecture of institutional mechanisms: an annual Foreign Office/Political Consultations process, a Joint Commission on economic cooperation, and periodic ministerial exchanges. In September 2025, the two countries held their annual bilateral Political Consultations in Tehran, co-chaired at the Joint Secretary/Director-General level, during which both sides marked the 75th anniversary of the establishment of diplomatic relations and reaffirmed their intention to deepen cooperation on connectivity, the INSTC, and economic and financial matters, agreeing to hold the next round of consultations in New Delhi in 2026 [9]. This steady, institutionalised diplomatic rhythm has persisted even through periods of acute regional tension, indicating that both governments continue to value a functioning channel of communication irrespective of the volatility surrounding Iran's relations with the West and Israel.

6.2 Trade and Economic Relations

India-Iran trade remains modest in absolute terms when set against India's trade with other major partners, reflecting the cumulative effect of successive sanctions regimes on the Iranian economy's capacity to trade internationally. According to figures released by India's Ministry of Commerce and Industry, bilateral trade in the financial year 2024-25 stood at approximately US\$1.68 billion, comprising Indian exports of around US\$1.24 billion and imports from Iran of around US\$0.44 billion, yielding a trade surplus in India's favour of nearly US\$0.80 billion [10]. Figure 1 presents this trend alongside a shorter-window comparison: in the first four months of calendar year 2025, bilateral trade

totalled US\$652 million, a six per cent decline from the US\$693 million recorded in the corresponding period of 2024, driven by a fall in both Indian exports (from US\$478 million to US\$465 million) and imports (from US\$215 million to US\$187 million) [11]. Indian officials attribute nearly half of the annual trade value to a single commodity — basmati and non-basmati rice exports — underscoring both the narrow commodity base of the relationship and its vulnerability to fluctuations in agricultural output and Iranian foreign-exchange availability [11].

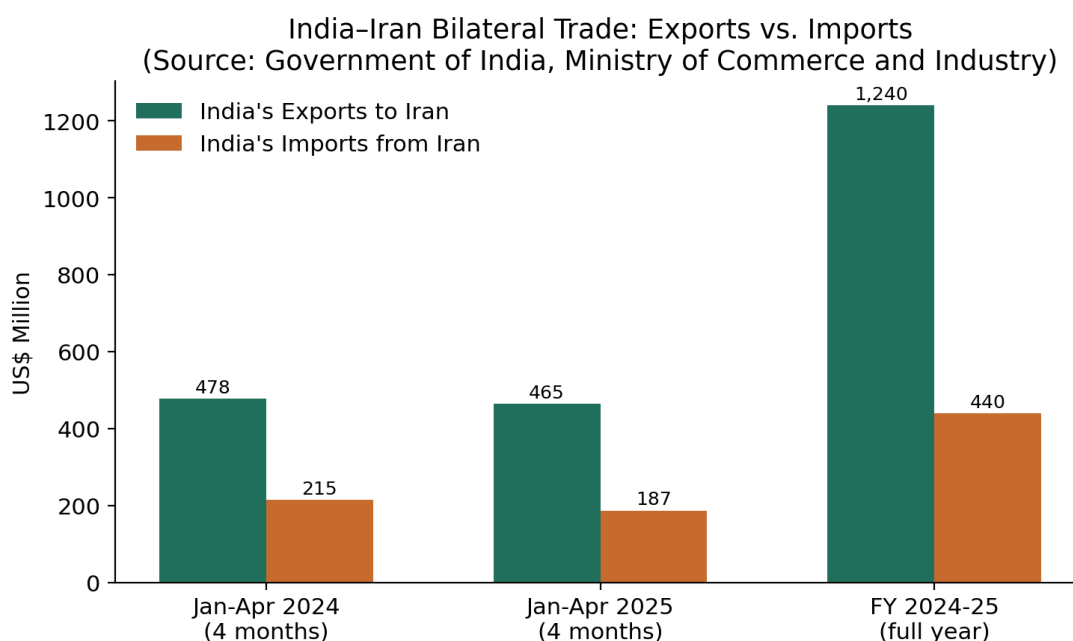


Figure 1. India-Iran bilateral trade: exports vs. imports (Source: Government of India, Ministry of Commerce and Industry).

The composition of India's exports to Iran, illustrated in Figure 2 using UN COMTRADE data for 2024, further demonstrates this narrow base. Cereals, overwhelmingly rice, account for approximately 57 per cent of total export value (around US\$698.5 million), followed by food-industry residues and animal fodder (around US\$149.5 million, or 12.2 per cent), and smaller shares for tea and spices, edible fruits and nuts, machinery, organic chemicals, edible vegetables and pharmaceutical products [12]. This composition reflects a structural reality: because Iran's access to the international financial system (SWIFT and correspondent banking relationships) remains severely curtailed by sanctions, bilateral trade is increasingly conducted through rupee-based payment mechanisms and barter-like arrangements more suited to bulk agricultural commodities than to the high-value manufactured or services trade that characterises India's relationships with its largest trading partners. On the import side, India draws chiefly on Iranian dry fruits (pistachios and almonds), organic chemicals, and glass products, with energy imports — once the dominant component of the relationship — having collapsed to zero as a consequence of sanctions [13].

Composition of India's Merchandise Exports to Iran, 2024
(Source: UN COMTRADE, via Trading Economics)

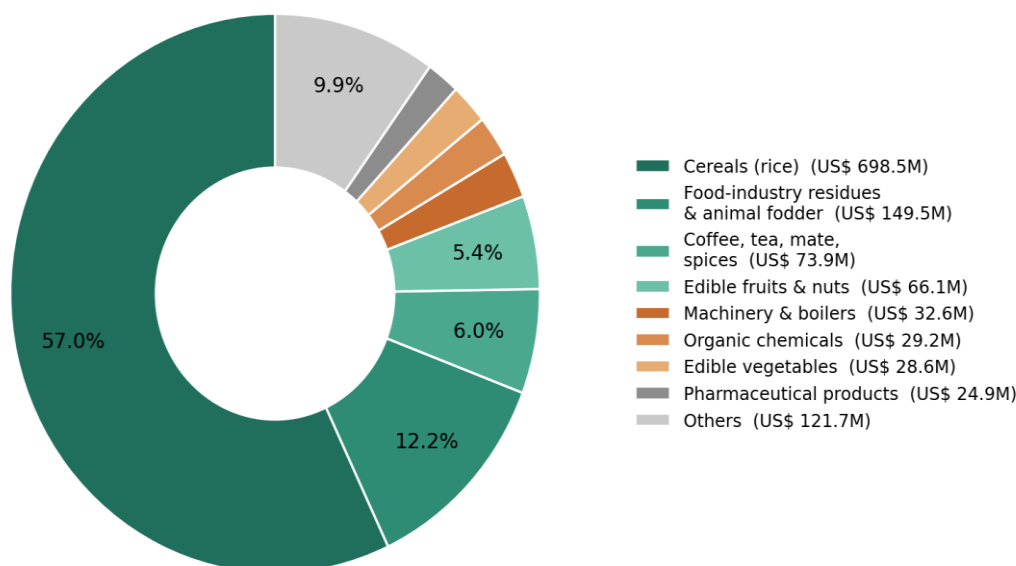


Figure 2. Composition of India's merchandise exports to Iran, 2024 (Source: UN COMTRADE, via Trading Economics).

6.3 Energy Cooperation and the Sanctions Regime

No aspect of the relationship illustrates the constraining power of extraterritorial sanctions more starkly than energy trade. Iran was historically among India's most important crude oil suppliers: as Figure 3 demonstrates, Iranian crude imports rose from around 11 million tonnes in 2013-14 to a peak of 27.2 million tonnes in 2016-17, following the partial sanctions relief secured under the JCPOA, before falling back to approximately 22.6 million tonnes in 2017-18 and 23.9 million tonnes in 2018-19 as Indian refiners raced to secure supplies ahead of the anticipated reimposition of American sanctions [14,15]. The unilateral United States withdrawal from the JCPOA in May 2018 and the subsequent expiry, in May 2019, of the six-month sanctions waivers that Washington had granted to eight countries including India, brought Iranian crude imports crashing down to under 2 million tonnes in 2019-20 and to a complete halt from 2020-21 onward [16]. India, once reliant on Iran for a meaningful share of its energy security, was compelled to diversify rapidly toward Iraq, Saudi Arabia, the United Arab Emirates, Nigeria, the United States and, since 2022, discounted Russian crude, a diversification so complete that Russia alone accounted for roughly 36 per cent of India's total crude oil imports by 2024-25 [16]. This episode remains the clearest demonstration available to Indian policymakers of the vulnerability created by extraterritorial secondary sanctions, and it continues to inform New Delhi's cautious, hedge-heavy approach to any fresh Iran-related economic commitment.

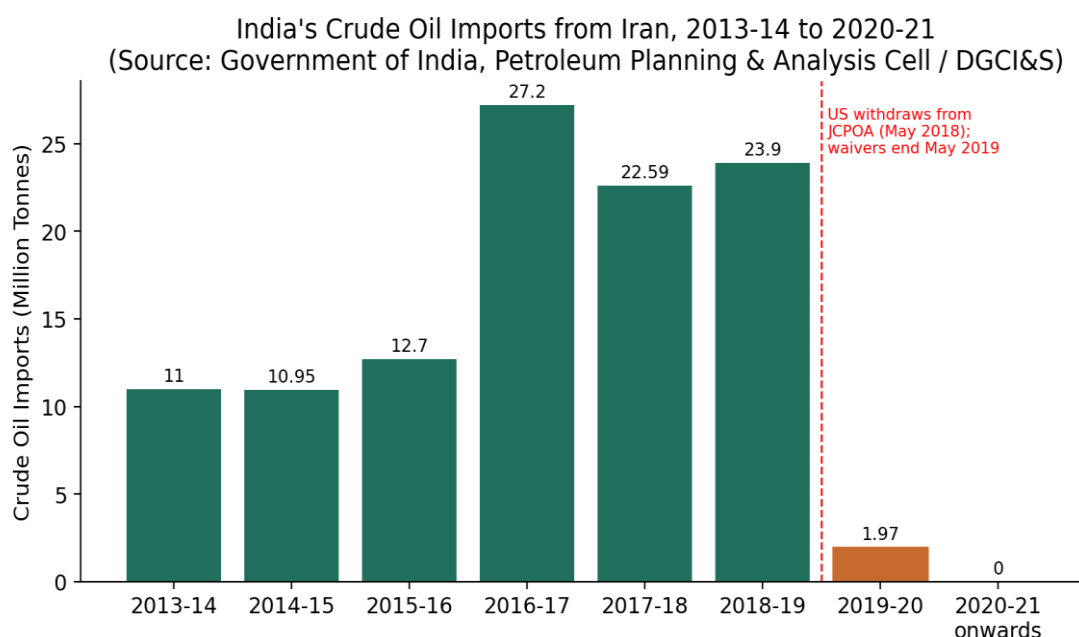


Figure 3. India's crude oil imports from Iran, 2013-14 to 2020-21 (Source: Government of India, Petroleum Planning & Analysis Cell / DGCI&S).

6.4 Connectivity: The Chabahar Port and the International North-South Transport Corridor

The Chabahar port, located on Iran's Gulf of Oman coast in Sistan-Baluchestan province, roughly 170 kilometres west of the Chinese-developed Gwadar port in Pakistan, has for two decades been projected as the centrepiece of the connectivity dimension of Indo-Iranian relations. Following the 2016 trilateral transit agreement between India, Iran and Afghanistan, India Ports Global Limited (IPGL) took over operations at the Shahid Beheshti terminal in December 2018, and on 13 May 2024 signed a ten-year contract with Iran's Ports and Maritime Organisation for equipping and operating the terminal, committing approximately US\$120 million toward procurement of port equipment and offering an additional credit line of US\$250 million for allied infrastructure [17,18]. Chabahar's strategic value to India rests on its capacity to provide sea-land access to landlocked Afghanistan and Central Asia while entirely bypassing Pakistani territory — a long-standing Indian objective given the persistent denial of transit rights through Pakistan — and on its role as the maritime anchor of the broader INSTC, the multimodal network intended to link India via Iran, the Caspian Sea, and the Caucasus to Russia and onward to Northern Europe [17].

This connectivity architecture, however, has in 2025-26 come under direct and severe pressure from the reimposed American sanctions regime. On 16 September 2025, the United States revoked the Chabahar-specific sanctions exception that it had first granted in 2018 in recognition of the port's role in Afghan reconstruction, a decision the State Department explicitly tied to President Donald Trump's renewed "maximum pressure" policy on Iran, and set the revocation to take effect from 29 September 2025 [19,20]. Following intense Indian diplomatic engagement, Washington granted New Delhi a conditional six-month waiver, effective 29 October 2025 and running until 26 April 2026, permitting India to continue Chabahar-related operations while it "wound down" its exposure [21,22]. As that waiver approached expiry, Indian media reported that IPGL had transferred the entirety of its committed

US\$120 million financial obligation to Iran before the September 2025 sanctions took effect, and that the government was actively exploring divestment of its stake in India Ports Global Chabahar Free Zone (IPGCFZ) to a local Iranian entity, with an understanding that control could revert to India should sanctions be eased or a fresh waiver secured [23,24]. This sequence of events — an eighteen-month cycle from full operational control to managed divestment — is arguably the single most consequential and cautionary episode in the contemporary Indo-Iranian relationship, and it is discussed at length in Section 7 below.

6.5 Afghanistan and Regional Security

India and Iran share an enduring, if episodically strained, common interest in a stable Afghanistan free of both Pakistani-backed extremism and excessive Chinese strategic penetration. Both countries opposed the first Taliban regime (1996-2001) and both, after the Taliban's 2021 return to power, have pursued a policy of pragmatic, non-recognition engagement with the de facto authorities in Kabul, driven by humanitarian, trade and counter-narcotics considerations rather than ideological affinity [6]. Iran's own historically fraught relationship with the Taliban — punctuated by border and water-sharing disputes over the Helmand river and periodic clashes — nonetheless converges with India's interest in ensuring that Chabahar-based trade routes to Afghanistan remain viable; reports in late 2025 indicated that the Taliban administration itself had expressed interest in using Chabahar for Afghan trade, a development that, if realised, would reinforce the port's relevance independent of India's own equity stake [17]. More broadly, both countries have a shared, if not always coordinated, interest in counter-terrorism cooperation against groups such as the Islamic State-Khorasan Province, whose anti-Shia and anti-India orientation gives Tehran and New Delhi overlapping security concerns even where formal defence cooperation between the two states remains limited.

6.6 The June 2025 Israel-Iran War and Operation Sindhu

The relationship's contemporary character was severely tested by the Twelve-Day War of June 2025. Following Israeli strikes on Iranian nuclear and military facilities beginning 13 June 2025 and the subsequent Iranian missile and drone retaliation, India confronted an acute humanitarian and diplomatic challenge: an estimated 10,000 Indian nationals, including some 1,500-2,000 medical students, were present in Iran at the onset of hostilities, while a further 40,000 Indian nationals resided in Israel [25]. India's Ministry of External Affairs launched Operation Sindhu on 18 June 2025, evacuating an initial cohort of 110 students overland into Armenia before mounting a sustained multi-route air and land evacuation through Yerevan and Ashgabat [26,27]. By 27 June 2025, the operation had evacuated a total of 4,415 Indian nationals — 3,597 from Iran and 818 from Israel — using nineteen special flights, including three Indian Air Force C-17 transport aircraft, alongside citizens of Nepal, Sri Lanka and OCI cardholders, with more than 1,500 women and 500 children among the evacuees [27,28]. Notably, India publicly thanked both Iran and Israel, as well as Jordan, Egypt, Armenia and Turkmenistan, for facilitating the evacuation, a studied diplomatic even-handedness that reflected New Delhi's determination to avoid being drawn into the underlying conflict while protecting its citizens [28]. The episode illustrated both the human cost that regional volatility imposes on the substantial Indian diaspora and professional community resident in Iran, and the practised, increasingly routinised character of India's crisis-evacuation diplomacy, which has now been exercised in comparable form in Yemen (2015), Ukraine (2022) and Sudan (2023).

6.7 Cultural and People-to-People Ties

Beneath the volatility of high politics, a dense layer of cultural and educational exchange continues to bind Indian and Iranian societies. Persian-language studies remain embedded in Indian universities, including at institutions such as Jamia Millia Islamia and Aligarh Muslim University, while thousands of Iranian students, including many pursuing medical education, study in Indian institutions, and conversely thousands of Indian medical students have historically studied at Iranian universities — the latter population being precisely the group placed at acute risk during the June 2025 war [26]. Indian pilgrims continue to visit Shia shrine cities, and religious tourism, along with the historic Zoroastrian and Bahá'í-adjacent cultural linkages, continues to sustain a reservoir of societal goodwill that has proved more durable than the fluctuating state of formal diplomatic and economic ties.

6.8 The China-Pakistan Factor and India's Balancing Act

India's Iran policy cannot be understood in isolation from its competitive relationship with China and Pakistan. The 2021 signing of the 25-year China-Iran Comprehensive Strategic Partnership, alongside China's continued development of Pakistan's Gwadar port under the China-Pakistan Economic Corridor barely 170 kilometres from Chabahar, has injected a competitive connectivity dynamic into the Persian Gulf's eastern approaches [17]. Indian strategic commentary routinely frames Chabahar as a hedge against Gwadar-CPEC and against Pakistani denial of overland transit to Afghanistan and Central Asia. Simultaneously, India's deepening strategic, defence and technology partnership with the United States, and its parallel and increasingly consequential defence and intelligence relationship with Israel, impose real limits on how far New Delhi can go in accommodating Tehran, particularly where American secondary sanctions carry direct commercial consequences for Indian public-sector and private entities. This triangular balancing act — between civilisational and geo-economic interest in Iran on one side, and strategic partnership with Washington and Tel Aviv on the other — is the central structural fact governing the present phase of the relationship.

6.9 India, Iran and the Multilateral Architecture: SCO and BRICS

India's 2017 accession to full membership of the Shanghai Cooperation Organisation (SCO) and Iran's own admission as a full SCO member in 2023, together with Iran's invitation to join the BRICS grouping (formalised as BRICS membership from January 2024), have created new multilateral venues in which Indian and Iranian officials interact on a regular, institutionalised basis even amid bilateral friction [9]. These fora do not substitute for bilateral engagement, and neither the SCO nor BRICS has proven capable of insulating Iran from Western sanctions or of generating alternative financing mechanisms robust enough to sustain large Indian investment in Iranian infrastructure. Nonetheless, they provide an additional layer of diplomatic contact, particularly valuable during periods — such as immediately after the June 2025 war — when direct bilateral high-level visits may be diplomatically sensitive or logistically difficult, and they allow India to signal continued engagement with Tehran within a framework, alongside Russia and China, that is less exposed to direct American scrutiny than a purely bilateral channel would be.

6.10 Defence and Maritime Security Cooperation: A Modest Footprint

Unlike India's expansive defence partnerships with Russia, France and the United States, defence cooperation with Iran has remained deliberately modest, largely confined to naval passage exercises,

occasional port calls, and cooperation on anti-piracy patrolling in the Gulf of Oman and the wider Indian Ocean Region, where both navies share an interest in securing sea lanes critical to their respective energy and trade flows [6]. India has consistently avoided any defence-industrial or military-hardware relationship with Iran of the kind that would risk triggering the Countering America's Adversaries Through Sanctions Act (CAATSA) or comparable American secondary-sanctions instruments, an area of policy in which New Delhi's caution contrasts with its considerably more expansive defence engagement with Israel, from which India procures missile defence systems, unmanned aerial vehicles and precision-guided munitions. This asymmetry is itself a further illustration of the constrained-partnership dynamic identified throughout this paper: even in the domain of maritime security, where functional cooperation with Iran would be geographically logical, India calibrates its engagement to avoid jeopardising a materially more consequential relationship with Israel and the United States.

6.11 A Comparative Perspective: Iran Alongside India's Other West Asian Partners

The modest scale of India-Iran trade is thrown into sharp relief when placed alongside India's economic relationships with the Gulf Arab states, as summarised in Table 1. Whereas India-Iran trade in FY2024-25 stood at approximately US\$1.68 billion, India-Saudi Arabia trade in the same fiscal year reached US\$41.88 billion, and India-UAE trade exceeded US\$100 billion for the first time, growing a further 19.6 per cent to over US\$101 billion in FY2025-26, with both Gulf states and India setting a joint target of doubling UAE trade to US\$200 billion by 2032 [29,30,31]. This roughly sixty-fold gap between India's largest and smallest major West Asian trading relationships is not incidental: it reflects the fact that India's economic engagement with the Gulf monarchies is anchored in unconstrained energy imports, large-scale sovereign wealth fund investment, a Comprehensive Economic Partnership Agreement (in the UAE's case), and a resident Indian diaspora of several million workers whose remittances constitute a further, non-trade channel of economic entanglement entirely absent from the India-Iran relationship. The comparison underscores the argument advanced in Section 7: the opportunity cost of jeopardising India's Gulf Arab and American relationships for the sake of deeper Iran engagement is, in strictly economic terms, extremely high, even before considering the security and diplomatic dimensions of the trade-off.

6.12 Banking, Payment Mechanisms and the Rupee Trade Route

A persistent technical obstacle to expanding India-Iran trade even within the boundaries that sanctions permit has been the near-total exclusion of Iranian banks from the SWIFT international payment messaging system, which has historically forced bilateral trade onto ad hoc rupee-denominated payment arrangements routed through a small number of designated banks, most notably UCO Bank, which has for over a decade operated rupee vostro accounts used to settle non-sanctioned trade in items such as rice, tea, medicines and dry fruits [16]. While such mechanisms have kept a residual trade relationship alive, they impose significant transaction costs, currency-conversion constraints, and limits on the scale of trade that can realistically be settled, reinforcing the concentration of bilateral trade in a small number of high-volume agricultural commodities documented in Section 6.2 and Figure 2. Any future expansion of India-Iran trade beyond its current narrow base would likely require either a broader multilateral sanctions relief agreement restoring Iranian banks' access to international payment systems, or the further development of bilateral or plurilateral alternative payment architectures of the kind India has also explored with Russia in the context of the Ukraine-related sanctions regime.

6.13 Track-II Diplomacy and Think-Tank Engagement

Complementing formal state-to-state diplomacy, a modest but persistent layer of Track-II dialogue has connected Indian and Iranian foreign-policy communities over the past two decades, involving institutions such as the Indian Council of World Affairs, the Institute for Defence Studies and Analyses, and their Iranian counterparts affiliated with the Ministry of Foreign Affairs' research arms. These dialogues, typically convening retired diplomats, serving academics and occasionally serving officials in a personal capacity, have functioned as a useful supplementary channel during periods when formal diplomatic engagement has been constrained by the wider sanctions and security environment, allowing both sides to test ideas — on connectivity financing structures, on regional security architecture, or on managing the fallout of episodes such as the June 2025 war — without the constraints of an official negotiating mandate. While such dialogues rarely produce binding outcomes, their consistent convening across periods of both warmth and tension in the formal relationship is itself an indicator of the underlying institutional resilience of the India-Iran policy community on both sides.

6.14 The Indian Diaspora and Professional Community in Iran

The Indian community resident in Iran, estimated by India's Ministry of External Affairs at approximately 10,000 persons at the time of the June 2025 conflict, comprises a distinctive mix of medical students — drawn by the comparatively affordable and internationally recognised medical education available at Iranian universities — alongside merchants, maritime and shipping-sector professionals, and religious pilgrims visiting Shia shrine cities such as Qom and Mashhad [25,27]. This community is considerably smaller than the multi-million-strong Indian diasporas resident in the Gulf Cooperation Council states, reflecting both the comparative absence of large-scale labour migration opportunities in sanctions-constrained Iran and the tighter visa and residency regime that Tehran applies relative to the UAE or Saudi Arabia. Nonetheless, the community's concentration in medical education makes it disproportionately significant to Indian public opinion, since disruptions in Iran are experienced acutely by Indian families with children studying medicine there — a dynamic clearly visible in the extensive domestic media coverage that Operation Sindhu received in mid-2025, and one that adds a distinct human-security dimension to India's Iran policy calculus that is largely absent from its relations with the Gulf Arab monarchies.

Table 1. India's Trade with Selected West Asian Partners, FY2024-25 (Approximate, US\$ Billion)

Partner Country	Total Bilateral Trade	India's Exports	India's Imports	Key Notes
Iran	1.68	1.24	0.44	No energy trade since 2019; dominated by rice exports
Saudi Arabia	41.88	11.76	30.12	5th largest trade partner of India; crude oil-led imports
UAE	100.03	35.8 (approx.)	64.2 (approx.)	CEPA in force since 2022; target of US\$200bn trade by 2032

Note: Figures are approximate and drawn from official government and embassy sources cited in the references; differences in fiscal-year definitions across sources mean totals should be read as indicative of order of magnitude. Sources: [10,11,29,30,31].

7. Discussion: Drivers, Constraints and Strategic Calculus

The preceding sections point to a consistent analytical pattern across seven decades of Indo-Iranian relations: episodes of substantive convergence are recurrently followed by externally imposed contraction. The 1990s convergence over Afghanistan, the early-2000s "strategic partnership" declarations, the JCPOA-enabled 2016 Chabahar breakthrough, and the 2024 ten-year port operating contract each represent genuine high-water marks of bilateral cooperation; yet each has been followed, often within a matter of months or a few years, by a sanctions-driven retrenchment — the 2005-2009 IAEA votes, the 2018-2019 collapse of oil trade, and the 2025-2026 Chabahar divestment being the clearest instances. This recurring cycle suggests that the principal independent variable determining the depth of Indo-Iranian engagement is not the bilateral relationship itself but the state of Iran's relations with the United States and, since 2025, the wider trajectory of the Iran-Israel confrontation.

Three structural drivers sustain India's continued investment in the relationship despite this cyclical pattern. First is geography: Iran remains India's only viable overland-adjacent route to Afghanistan and Central Asia that bypasses Pakistan, a strategic asset that no alternative corridor — including maritime routes via the UAE or the nascent India-Middle East-Europe Economic Corridor (IMEC) — can fully replicate for landlocked Central Asian trade. Second is energy and resource diversification logic: notwithstanding the current suspension of Iranian crude purchases, Iran's proven hydrocarbon reserves represent a long-term optionality that India is reluctant to foreclose permanently. Third is the logic of strategic autonomy: New Delhi's post-Cold War foreign policy doctrine explicitly values the capacity to maintain independent relationships with states that are, from Washington's perspective, adversarial, as a hedge against excessive dependence on any single power and as an assertion of an independent great-power identity.

Against these drivers stand equally powerful constraints. The primary constraint is the extraterritorial reach of United States sanctions law, particularly the Iran Freedom and Counter-Proliferation Act of 2012, which threatens penalties on any entity — including Indian public-sector companies — engaged in transactions connected to sanctioned Iranian activity, effectively exporting American foreign policy preferences into Indian commercial decision-making [19]. A second constraint is Iran's own diminished capacity, under decades of sanctions, to offer India competitive trade terms, reliable payment mechanisms, or predictable investment conditions, a structural weakness that persists irrespective of the political will on either side. A third constraint is the opportunity cost calculus: India's economic and strategic relationships with the United States, Israel, Saudi Arabia and the United Arab Emirates today generate vastly greater trade, investment, defence and diaspora-remittance value than does the relationship with Iran, making any prospective marginal gain from deeper Iran engagement difficult to justify against the risk of jeopardising these larger relationships. It is this asymmetry between a civilisationally rich but economically thin relationship with Iran, and an economically vast set of relationships with Iran's regional and global adversaries, that best explains why India has, in practice, repeatedly chosen retrenchment over confrontation with Washington whenever the two have come into direct conflict.

A useful comparative check on this analysis is provided by the experience of other major economies confronted with the same extraterritorial sanctions architecture. Japan and South Korea, both close treaty allies of the United States with historically significant Iranian oil imports, wound down their

Iranian crude purchases even more rapidly and completely than India following the 2018 JCPOA withdrawal, reflecting their far greater dependence on, and alignment with, Washington [16]. China, by contrast, has continued to import substantial (if discounted and often circuitously routed) volumes of Iranian crude throughout the sanctions period, reflecting Beijing's greater tolerance for friction with Washington and its comprehensive strategic partnership with Tehran, formalised in the 2021 25-year cooperation agreement. India's position lies between these two poles: neither as fully compliant as Japan and South Korea, nor as openly defiant as China, but occupying a distinctly Indian middle path of negotiated, time-limited accommodation — securing waivers, negotiating wind-down periods, and preserving contractual optionality — that is consistent with the "calibrated engagement" hedging behaviour identified in Section 3 above. This comparative positioning is itself informative: it suggests that India's Iran policy is not merely a function of bilateral considerations but of India's own self-conception as a rising power seeking to demonstrate an independent foreign policy voice while avoiding the kind of direct confrontation with Washington that could jeopardise its far more consequential technology, defence and trade relationships with the United States.

A further analytical dimension worth noting is the asymmetry of vulnerability between the two partners. For Iran, the relationship with India represents one of a diminishing number of major-economy partnerships not fully subject to Western sanctions logic, and Tehran has therefore consistently sought to deepen ties — evident in its willingness to offer extended credit terms, discounted shipping, and generous contractual terms on Chabahar even as India's own commitment wavered under American pressure. For India, by contrast, Iran represents one bilateral relationship among many in a diversified West Asia strategy that also encompasses Israel, Saudi Arabia, the UAE, and the wider Gulf Cooperation Council states, none of which carry comparable sanctions risk. This asymmetry of stakes — high for Iran, comparatively low for India — has consistently placed New Delhi in the stronger bargaining position within the bilateral relationship, even as India's overall global position vis-à-vis the United States constrains how far it can exploit that leverage. Understanding this asymmetry helps explain why, notwithstanding the setbacks documented in this paper, it has generally been Iran rather than India that has absorbed the greater share of adjustment costs whenever the relationship has come under external pressure — whether through the loss of a reliable Indian oil market in 2019, or the prospective loss of Indian equity participation in Chabahar's Free Trade Zone operating company in 2025-26.

It is also worth noting the striking cross-partisan continuity of India's Iran policy across successive changes of government in New Delhi. The Chabahar project was initiated under a Congress-led United Progressive Alliance government, substantially advanced under the Bharatiya Janata Party-led National Democratic Alliance government after 2014, and has continued to be managed, including through its 2025-26 divestment phase, without significant public contestation between India's major political parties. This bipartisan continuity suggests that India's calibrated approach to Iran reflects a durable, institutionalised foreign-policy consensus within the Indian strategic establishment — spanning the Ministry of External Affairs, the Ministry of Petroleum and Natural Gas, and the National Security Council Secretariat — rather than the preference of any single government or leader, lending further credibility to the expectation that the broad contours of "calibrated engagement" identified in this paper are likely to persist regardless of which party governs India in the coming years.

8. Future Prospects and Scenarios

Building on the drivers and constraints identified above, this section outlines three plausible medium-term scenarios for the Indo-Iranian relationship and derives corresponding policy recommendations for Indian foreign policy.

6.1 Scenario One: Continued Sanctions and Constrained Engagement (Status Quo Extended). Under this scenario, the current "maximum pressure" policy framework persists or intensifies, the Chabahar waiver is not renewed beyond April 2026 or is renewed only in truncated form, and India completes a managed, face-saving divestment of its direct equity stake in the port's free-trade-zone operating company while retaining a contractual right of return should sanctions ease. Bilateral trade continues to hover in the range of US\$1.5-2 billion annually, dominated by agricultural commodities, with energy and high-value manufacturing trade remaining essentially foreclosed. This is, on the evidence of 2025-26 developments, the most probable near-term trajectory.

6.2 Scenario Two: Diplomatic Thaw and Expanded Connectivity. A less probable but not implausible scenario involves a renewed nuclear diplomacy track between Iran and the P5+1-successor grouping (or a bilateral US-Iran arrangement) that produces sanctions relief comparable to the 2015-2018 JCPOA period. Under this scenario, India could rapidly re-scale Chabahar operations, resume calibrated crude oil purchases, and accelerate INSTC cargo movement, potentially also reviving discussion of gas-pipeline connectivity in some modified form. Realisation of this scenario depends overwhelmingly on variables outside Indian control — principally the trajectory of US-Iran and Israel-Iran relations — and India's optimal strategy is therefore to maintain the institutional, contractual and diplomatic scaffolding (the ten-year port contract, the annual political consultations mechanism, the INSTC coordination framework) in a state of readiness so that engagement can be scaled up rapidly should the external environment permit.

6.3 Scenario Three: Renewed Regional Volatility and Strategic Hedging. A third scenario anticipates further military escalation involving Iran, Israel, and potentially Gulf Arab states or non-state actors, echoing the pattern of the June 2025 Twelve-Day War. Under this scenario, India's overriding priority would again be consular and humanitarian — the protection and evacuation of its diaspora and student population — with substantive economic and connectivity cooperation subordinated to crisis management. India's demonstrated evacuation capability, honed through Operation Sindhu and its predecessors, positions it comparatively well to manage this contingency, though repeated volatility of this kind would likely accelerate the medium-term decline of the already-thin people-to-people education and pilgrimage linkages described in Section 6.7, as Indian families and universities recalculate the risk of sending students to Iran.

6.4 Policy Recommendations. Drawing on the foregoing analysis, four recommendations emerge for Indian policymakers. First, India should pursue a diversified connectivity strategy that treats Chabahar and the INSTC as one option among several — including IMEC and enhanced Central Asian rail links via other routes — rather than as an irreplaceable single point of failure, thereby reducing the strategic cost of any future Chabahar contraction. Second, India should continue to invest diplomatic capital in maintaining the institutionalised political consultation mechanism with Iran, since low-cost, low-visibility diplomatic continuity preserves the option value of the relationship without exposing India to

sanctions risk. Third, on trade, India should explore expansion of rupee-based and barter-adjacent payment mechanisms for non-sanctioned agricultural and pharmaceutical trade, building on the existing rice-dominated trade structure, so as to grow the economic relationship within the boundaries that sanctions permit. Fourth, India must continue to insulate its wider strategic partnerships with the United States, Israel and the Gulf states from its Iran policy, treating the latter as a bounded, carefully calibrated relationship rather than a central pillar of its West Asia strategy — an approach broadly consistent with India's conduct during both the Chabahar sanctions episode and the June 2025 war.

6.5 Wildcard Considerations. Beyond the three core scenarios outlined above, several lower-probability but high-impact "wildcard" developments merit brief consideration. A change of administration or policy orientation in Washington could alter the sanctions calculus with little advance warning, as occurred between the JCPOA-era relief of 2015-2018 and the abrupt "maximum pressure" reversal that followed; India's institutional readiness to respond rapidly to either tightening or loosening of the sanctions regime is therefore itself a strategic asset worth cultivating deliberately rather than leaving to improvisation. Equally, renewed unrest within Iran itself — whether triggered by economic hardship, succession politics following the eventual transition from Iran's current Supreme Leader, or the cumulative effect of war fatigue after the 2025 conflict with Israel — could produce either a more accommodationist or a more hardline successor government, with correspondingly divergent implications for India's engagement calculus. Finally, the trajectory of India's own relationship with Pakistan bears indirectly but significantly on the Iran relationship: any durable improvement in India-Pakistan transit arrangements would reduce the strategic premium India places on Chabahar as a Pakistan-bypass route, while continued hostility keeps that premium high irrespective of the sanctions environment.

6.6 Indicators to Monitor. For policymakers and analysts seeking early warning of a shift between the scenarios outlined above, several observable indicators merit close and continuous monitoring: the status of the Chabahar sanctions waiver beyond its April 2026 expiry and any successor arrangement between Washington and New Delhi; the pace and content of the next round of India-Iran Political Consultations scheduled for New Delhi in 2026; developments in the wider Iran-Israel-United States nuclear and military file, including any resumption of direct negotiations; and shifts in India's crude oil sourcing mix, particularly any renewed discussion, however tentative, of Iranian crude purchases contingent on future sanctions relief. Movement on any of these indicators would provide the clearest available signal of which of the three scenarios is materialising, and would allow Indian policymakers to recalibrate the balance between connectivity diversification and Iran-specific investment accordingly.

6.7 Summary Assessment. Weighing the probabilities and evidence surveyed above, the most defensible medium-term forecast is a hybrid of Scenarios One and Three: continued sanctions-constrained engagement punctuated by periodic episodes of regional volatility, within which India will likely preserve the institutional and legal scaffolding of the relationship — the ten-year Chabahar operating contract's underlying framework, the annual Political Consultations mechanism, and SCO/BRICS-based multilateral contact — at low cost, while declining to commit fresh, exposed capital to Iran-specific projects until either a broader sanctions relief agreement materialises or India judges the strategic benefits to outweigh the now well-demonstrated risks. This is, in essence, a strategy of patient, low-cost relationship maintenance rather than active relationship-building, and it is consistent

with the "calibrated engagement" pattern that this paper has identified as the defining feature of Indian policy toward Iran across the past decade.

9. Implications for the Broader Regional and International Order

The trajectory of Indo-Iranian relations carries implications that extend well beyond the bilateral frame. For the International North-South Transport Corridor, India's uncertain Chabahar position raises questions about the credibility of the broader multimodal corridor linking India, via Iran and the Caspian, to Russia and Northern Europe — a corridor in which Russia in particular has invested considerable diplomatic capital as an alternative to Western-dominated maritime trade routes in the aftermath of the Ukraine war. A durably constrained India-Iran relationship could push New Delhi to invest relatively more in the rival India-Middle East-Europe Economic Corridor (IMEC), announced at the 2023 G20 summit and linking India to Europe via the UAE, Saudi Arabia, Jordan and Israel — a corridor whose viability was itself called into question by the 2023-2025 Gaza conflict and the wider volatility of the Israel-centred regional order, illustrating that virtually every corridor option available to India in West Asia currently carries some form of geopolitical risk premium [17].

For Afghanistan, continued uncertainty in India-Iran connectivity limits the practical alternatives available to New Delhi for engaging a landlocked country in which India has invested heavily in infrastructure, humanitarian assistance and, since 2025, tentative direct engagement with the Taliban administration. A weakened Chabahar option correspondingly increases Kabul's relative dependence on Pakistani-controlled transit routes or Chinese-backed alternatives via the China-Pakistan Economic Corridor, an outcome that runs directly counter to India's long-standing strategic objective of ensuring that Afghanistan does not become exclusively dependent on Rawalpindi or Beijing for its external trade.

At the systemic level, the Indo-Iranian case offers a instructive illustration of the broader phenomenon of "sanctions spillover" — the manner in which unilateral or extraterritorial sanctions regimes imposed by a single dominant power reshape the foreign economic policy choices of third-party states far removed from the original dispute. As American secondary sanctions have expanded in scope and severity since 2018, middle powers such as India, Turkey, and South Africa have increasingly had to develop bespoke risk-management architectures — waiver diplomacy, alternative payment mechanisms, phased divestment strategies — to preserve some room for manoeuvre. India's experience with Chabahar between 2018 and 2026 may thus be read as a case study with broader comparative relevance for scholars of sanctions and middle-power foreign policy, illustrating both the constraining power of extraterritorial sanctions and the limits of even a determined middle power's capacity to fully insulate a valued bilateral relationship from great-power pressure.

10. Conclusion

This paper has traced the arc of Indo-Iranian relations from their civilisational origins through the vicissitudes of Cold War alignment, post-Cold War convergence, and the sanctions-buffed present. The evidence assembled here — from trade statistics to the Chabahar sanctions timeline to the evacuation figures of Operation Sindhu — supports the paper's central contention that the relationship is best characterised as a constrained partnership: substantively motivated by geography, history and economic complementarity, but persistently bounded by an external sanctions architecture over which

neither New Delhi nor Tehran exercises control. The events of 2025-26, culminating in India's managed divestment from Chabahar port operations even as it retained the underlying strategic rationale for the project, exemplify this pattern with unusual clarity. Looking ahead, the relationship's future will be shaped less by bilateral Indian or Iranian choices than by the wider, and currently unresolved, confrontation between Iran and the Western-Israeli axis. India's most prudent course, consistent with its broader doctrine of strategic autonomy, is to preserve the institutional and contractual scaffolding of the relationship at manageable cost, diversify its connectivity options, and remain ready to scale engagement upward rapidly should the external sanctions environment ease — while ensuring that its calibrated Iran policy never comes at the expense of its far larger strategic partnerships with the United States, Israel and the Gulf Arab states.

Ultimately, the India-Iran relationship offers an instructive case study in the limits of civilisational affinity as a driver of contemporary foreign policy in a world still substantially structured by the extraterritorial reach of great-power sanctions regimes. Two and a half millennia of cultural exchange, a shared interest in Afghan stability, and a genuine geo-economic logic favouring connectivity through Chabahar have proved insufficient, on their own, to insulate the relationship from the vicissitudes of the wider Iran-United States-Israel triangle. Yet neither has this constrained environment led India to abandon the relationship altogether: the persistence of annual political consultations, the 75th-anniversary commemorations of 2025, and India's continued diplomatic investment in seeking waivers and negotiated wind-down arrangements rather than outright withdrawal all attest to an enduring, if carefully bounded, Indian commitment to the relationship. For scholars and policymakers alike, the most productive way to understand Indo-Iranian relations going forward may be less as a story of a partnership rising or declining in linear fashion, and more as a case of a relationship whose civilisational depth guarantees its persistence, even as its operational scope will likely continue to expand and contract in step with a wider regional and international order over which neither New Delhi nor Tehran exercises full control.

References

1. Alam M. Indo-Persian cultural exchange: language, art and architecture in medieval India. New Delhi: Oxford University Press; 2018.
2. Pant HV. India's Chabahar port investment: strategic rationale and regional implications. *J Indian Ocean Reg.* 2017;13(2):145-160.
3. Ministry of External Affairs, Government of India. Operation Sindhu (June 27, 2025) [Internet]. New Delhi: MEA; 2025 Jun 27 [cited 2026 Sep 6]. Available from: <https://www.mea.gov.in>
4. Insights on India. India Granted US Sanctions Waiver for Chabahar Port: Strategic Gateway to Central Asia [Internet]. 2025 Oct 31 [cited 2026 Sep 6]. Available from: <https://www.insightsonindia.com>
5. Ramazani RK. Iran's foreign policy, 1941-1973: a study of foreign policy in modernizing nations. Charlottesville: University Press of Virginia; 1975.
6. Pardesi MS, Ganguly S, editors. India's regional security policy: Afghanistan, Iran and the Gulf. New Delhi: Routledge; 2020.

7. Mohan CR. Crossing the Rubicon: the shaping of India's new foreign policy. New Delhi: Viking; 2003.
8. Katzman K. Iran sanctions. Washington, DC: Congressional Research Service; 2019 Report No.: RS20871.
9. Ministry of External Affairs, Government of India. India-Iran Bilateral Political Consultations (September 08, 2025) [Internet]. New Delhi: MEA; 2025 Sep 9 [cited 2026 Sep 6]. Available from: <https://www.globalsecurity.org/wmd/library/news/india/2025/india-250909-india-mea02.htm>
10. Sunday Guardian Live. What things India imports and exports to Iran & how Khamenei's death and regional instability could disrupt India-Iran trade relations [Internet]. 2026 Mar 1 [cited 2026 Sep 6]. Available from: <https://sundayguardianlive.com>
11. Tehran Times. Iran-India 4-month trade stands at \$652m [Internet]. 2025 Jul 25 [cited 2026 Sep 6]. Available from: <https://www.tehrantimes.com/news/516034>
12. Trading Economics. India Exports to Iran [Internet]. 2025 May [cited 2026 Sep 6]. Available from: <https://tradingeconomics.com/india/exports/iran>
13. The Dollar Business. India-Iran Trade Insights: Key Export, Import, and Market Trends [Internet]. 2026 Apr 1 [cited 2026 Sep 6]. Available from: <https://in.thedollarbusiness.com>
14. Gulf News. India's 2018-19 Iran oil imports up 5% [Internet]. 2019 [cited 2026 Sep 6]. Available from: <https://gulfnews.com/business/energy>
15. Business Standard/PTI. Iraq continues to be India's top oil supplier, imports from US rise 4-fold [Internet]. 2019 May 1 [cited 2026 Sep 6]. Available from: <https://www.business-standard.com>
16. International Journal for Multidisciplinary Research (IJFMR). Crude oil imports in India: trends and transitions. IJFMR. 2025;7(4). Available from: <https://www.ijfmr.com/papers/2025/4/50538.pdf>
17. Drishti IAS. India Secures Six-Month US Waiver for Chabahar Port [Internet]. 2025 Nov 1 [cited 2026 Sep 6]. Available from: <https://www.drishtiiias.com>
18. Business Standard (TBS News). India weighs future of Iran's Chabahar port as US sanctions clock runs out [Internet]. 2026 Apr 26 [cited 2026 Sep 6]. Available from: <https://www.tbsnews.net>
19. News on Air (All India Radio/Prasar Bharati). US Sanctions Waiver for Iran's Chabahar Port to End, Effective September 29 [Internet]. 2025 Sep 19 [cited 2026 Sep 6]. Available from: <https://www.newsonair.gov.in>
20. GlobalSecurity.org / Press TV. India secures 6-month US sanctions exemption for Iran's Chabahar Port [Internet]. 2025 Oct 30 [cited 2026 Sep 6]. Available from: <https://www.globalsecurity.org>
21. News on Air. MEA: India Granted US Sanctions Waiver for Chabahar Port; Reaffirms Support for Afghanistan's Sovereignty [Internet]. 2025 Oct 30 [cited 2026 Sep 6]. Available from: <https://www.newsonair.gov.in>
22. Deccan Herald. US grants 6 months waiver from sanctions on India's Chabahar port project [Internet]. 2025 Oct 30 [cited 2026 Sep 6]. Available from: <https://www.deccanherald.com>
23. WION. India planning exit from Chabahar port as US sanction waiver expires [Internet]. 2026 Apr 24 [cited 2026 Sep 6]. Available from: <https://www.wionews.com>

24. TRT World. Did India just withdraw from Iran's Chabahar Port under US pressure? [Internet]. 2026 Jan 19 [cited 2026 Sep 6]. Available from: <https://www.trtworld.com>
25. StudyIQ. Operation Sindhu: Evacuation of Indian Nationals from Iran [Internet]. 2025 Jun 19 [cited 2026 Sep 6]. Available from: <https://www.studyiq.com/articles/operation-sindhu>
26. Wikipedia. Operation Sindhu [Internet]. 2025 [updated 2025 Jun; cited 2026 Sep 6]. Available from: https://en.wikipedia.org/wiki/Operation_Sindhu
27. News on Air. Operation Sindhu (June 27, 2025) [Internet]. 2025 Jun 27 [cited 2026 Sep 6]. Available from: <https://www.globalsecurity.org/wmd/library/news/iran/2025/iran-250627-india-mea01.htm>
28. News on Air. India Thanks nations for support in Operation Sindhu evacuations [Internet]. 2025 Jun 27 [cited 2026 Sep 6]. Available from: <https://www.newsonair.gov.in>
29. Embassy of India, Riyadh. India-Saudi Bilateral Relations [Internet]. 2026 [cited 2026 Sep 6]. Available from: <https://www.eoiriyadh.gov.in>
30. News on Air. India, UAE Hold Third CEPA Joint Committee Meeting; Bilateral Trade Crosses \$100 Billion [Internet]. 2025 Nov 27 [cited 2026 Sep 6]. Available from: <https://www.newsonair.gov.in>
31. Outlook Business. India-UAE CEPA Boosts Bilateral Trade Past \$100 Billion, Says Piyush Goyal [Internet]. 2026 May 1 [cited 2026 Sep 6]. Available from: <https://www.outlookbusiness.com>