CHAPTER - 2

INDO-IRANIAN RELATIONS – THE SHAH REGIME
After India became Independent, there arose a grave necessity to establish diplomatic contacts with the neighbouring countries as well as with major powers of Asia, Europe, Africa and the Americas. Its strong historical ties – political, cultural and economic, determined India’s foreign policy perceptions with Iran. Iran was one of the earliest countries to have established ambassador level diplomatic ties with India. Both India and Iran were brought closer with the signing of several bilateral agreements between the two countries. An Air Transport Agreement signed in November 1948, which made air travel operational between the countries.¹

This was followed by a visit of the Iranian Economic Mission in Dec. 1949 to explore the possibilities of promoting trade between the two countries.² In March 1950, the representatives of both Iran and India signed a Treaty of Friendship. “There shall be perpetual peace and friendship between the governments of the two countries”.³ The Indian Parliament later approved the Treaty on 10ᵗʰ August 1950. This Treaty provided a clause for the appointment of diplomatic representatives for the settlement of differences or disputes, if any. This could be done either through ordinary diplomatic channels or through arbitration. When the Anglo-Iran Oil Company was nationalized, India supported nationalization move on the ground that it was part of the anti-colonial strategy and struggle against it.⁴

¹ Roshan Lal Varshney, India’s Foreign Trade: During and After the Second World War, Allahabad, 1954, pp. 141-42.
² Roshan Lal Varshney, India’s Foreign Trade: During and After the Second World War, Allahabad, 1954, pp. 141-42.
³ India and Iran Foreign Policy of India – Text and Documents 1951-59, New Delhi 1960.
In December 1954, a Treaty of *Commerce and Navigation* was concluded between Iran and India. The Treaty provided for the rights of the nationals of either country in the other and their rights to engage in trade, commerce, and industry and to acquire movable and immovable property (Art I).\(^5\) A very important feature of the Treaty was its most favoured nation provision. Concessions were shown as far as the imposition of custom duties and charges. The desire for having close relations also found expression in the exchange of visits by dignitaries of the countries. The Shah of Iran visited India in Feb. March 1956.\(^6\) As Reciprocation, Prime Minister Jawaharlal Nehru visited Iran in Sept. 1959 and held friendly discussions with the Shah and the Prime Minister of Iran.\(^7\) Despite several historical advantages in the initial years, the progress in the diplomatic relation was not taken off to greater heights. This was primarily due to the political attitudes and compulsions of both Iran and India. It was the cold war era and several nations in the world had joined either the American camp or the Group led by the then Soviet Union. Nato, Cento, Seato, Warsaw and other Treaty alliances emerged in the background. Balance of power and the question of fear and insecurity among several Afro-Asian countries grew.

Jawaharlal Nehru, Nasser and Tito of Yugoslavia came forward and organized the non-aligned countries. These three nations, representing

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\(^6\) *Times of India*, 11 January 1969.

three continents provided the intellectual, political and ideological leadership for the vast comity of nations in the world to stand away from the power-blocs. But India’s neighbours – both Pakistan and Iran had joined the American bloc. For example, Iran had joined the Baghdad Pact the (CENTO) along with Pakistan. Iran was primarily moved by the geo-political compulsions of the then cold-war situation.

Within Iran, there were certain political changes in the early 50s. In 1953, Mohd. Reza Shah Pahlavi issued a Farman dismissing Mossadeq, the Prime Minister of Iran and in whose place General Zahedi was appointed as the Prime Minister. But Mossadeq refused to obey the Royal Command. But he was forced out of office by the U.S. engineered coup d’etat. The Shah and the Iranian authorities accused the Soviet Union and its sinister hands behind the Mossadeq. Hence, Iran was further shifted firmly in to the American bloc on the question of internal security.

With increasing clout of Nasser and Egypt in the Arab world, with its anti-Western overtone the Shah found himself forced into closer dependence and association with the West. In fact, Nasserism posed a serious threat to Shah. It was feared that the spread of Nasserite ideology towards the Arab East might have an effect on the Iranian army itself and the Iranian youth belonging to the middle class. Nasserism also represented

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9 Ibid.
anti-monarchical face in the Arab world, which was perceived as a threat to his own dynastic background by the Shah. Hence, Tehran under the Shah had equated the spread of Nasserite ideology with the expansion of Kremlin's influence in the Arab world.\textsuperscript{11}

It was because of these reasons that Syria's union with Egypt as well as the Iraqi revolution of 1958 was looked upon with great alarm in Tehran under the Shah.\textsuperscript{12} Again, in the context of Iranian-Arab rivalry, the prospect of the Arab world unified under one leader and galvanized into action by a dynamic ideology of nationality and anti-imperialism was interpreted as threats to Iran's security in the cold war years.

Iran also expected certain economic benefits from its association with the western camp, particularly with the USA. The Shahs' further leanings towards the West were further manifested in the signing of an oil agreement with the Western consortium.\textsuperscript{13}

It was during the same period that we come across the Eisenhower doctrine. Gen. Eisenhower was the President of USA during the Suez Canal crisis. The Suez Canal was seized and nationalized by Egypt, which led to a resistance by Great Britain, France and Israel. The Soviet Union stood firmly behind Egypt and thwarted the Western attempts to capture Suez

\textsuperscript{11} Ibid. No. 78, p. 244.  
\textsuperscript{12} Ibid.  
Canal. Hence in January 1957 Eisenhower pleaded the US Congress to permit him to dispatch American soldiers to the Middle East against increasing Soviet clout and the "spread of communism". Tehran therefore endorsed the Eisenhower Doctrine and signed a bilateral defense Pact with the United States in addition to the Baghdad Pact.

This was in contrast with the Indian policy of non-alignment. Right from the beginning the Indian foreign policy articulated by Jawaharlal Nehru and V.K. Krishna Menon argued for an equip-distance from the power blocs. India also held the view that military Pacts and alliances would lead to war rather than to peace in the world. Prime Minister Nehru, in the course of a debate in Parliament on Foreign Affairs on 31 March 1955 stated that military alliances would change the international situation for worst. "These military Pacts far from being helpful are doing a lot of harm, from bringing security and assurance of peace, they actually tend in the opposite direction." 

The Western powers also wanted to bring Pakistan into the alliance, which was naturally considered to be a threat to Indian security. This was nothing but an extension of military blocs into India's immediate neighbourhood. In other words, this would have converted Indian subcontinent into a theatre of cold war at a time when New Delhi was making

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strenuous efforts to make it into a peaceful area free of military blocs.\textsuperscript{16} Another important issue was that US military assistance to Pakistan threatened to bolster up that country against India, particularly when several issues continued to haunt both the nations, including that of Kashmir.\textsuperscript{17}

U.S. military aid to Pakistan led to anti-American feeling within India. Secondly\textsuperscript{18} India began to strengthen the non-alignment movement in association with Egypt, Yugoslavia and the other Afro-Asian countries of the third world. Because of the geo-political compulsions India began to improve its relations with Peking and Moscow. Nehru visited Peking in 1954 and he also accepted Soviet invitation to visit that country. Therefore, it was difficult for both India and Iran to get closer, beyond a point in the fifties. Iran's support to Pakistan on the Kashmir issue was a major irritant in the Indo-Iranian relations.

Despite lack of closeness politically, the trade and commerce witnessed a gradual expansion over the years. The Indian exports, which stood at Rs. 364 lakhs in 1947-48, increased to Rs.598 lakhs in 1950-51 but went down to Rs.220 lakhs in 1952-53. During 1954-55 it stood at Rs.609 lakhs, but again reduced to Rs.428 lakhs in 1959-60. However, India's imports from Iran always stood at a higher level. During 1947-48 India

\textsuperscript{17} Ibid.
\textsuperscript{18} Khalida Qurishi. "Pakistan and Iran – A Study in neighborly Diplomacy" Pakistan Horizon, Vol. 21, No. 21, No.1, First Quarter 1968, p. 38.
imported total goods worth Rs.2247 lakhs and it increased to Rs.3714 lakhs in 1950-51. From 1952-53 to 1954-55 it got reduced to between Rs.250 lakhs and Rs.420 lakhs but again registered a growth of 300 per cent in 1955-56 and by 1961-62 it stood at Rs.4735 lakhs. As far as foreign trade was concerned, India was always at a disadvantage. India imported much more than what it exported. In fact, if one analyses the data of 1961-62, it is surprising that India’s imports from Iran stood at 10 fold higher than its\textsuperscript{19} exports, to Iran.

While India exported mainly tea, coffee spices and textiles, India’s imports from Iran included mineral oil, fruits and vegetables. In fact, more than 80 percent of India’s imports from Iran included mineral oils. However, during the sixties of the last century, there was a perceptible difference in the Indo Iranian relations. Both India and Iran began to respond to the changing international scenario and it influenced their own\textsuperscript{20} relationship with each other. During this period, the economic factors played a more crucial role than political factors. In fact, when foreign trade expanded and got diversified, the commodity composition of India’s exports and imports began to take a definite shape. The idea of joint collaborations between India and Iran also took place. In fact, as a policy initiative, India had tried for technical collaboration among the developing countries ever since her Independence. Several new schemes were devised bilaterally and

\textsuperscript{19} The figures are on the basis of the Statistical Abstracts provided by the Monthly Statistics of Foreign Trade of India, Vol. I & II (Calcutta: Directorate General of Commercial Intelligence and Statistics).

\textsuperscript{20} Vohra, India’s Aid Diplomacy in the Third World, New Delhi, Vikas, 1980, p. 62
multilaterally. The Colombo Plan, which was devised in 1950, was meant for the countries of South Asia through mutual help and co-operation.\textsuperscript{21} Because India already had a Planning Commission and expertise in planned economic development, it was easy for India to share its expertise with countries of South Asia. Within the external affairs ministry, an economic division was created in 1961. Gradually this economic Division began to be entrusted with the work of implementing programmes of technical and economic co-operation with other countries. Thus, India had co-operated with co-developing countries through providing economic and technical assistance, joint ventures, two-way technology and transfers and also by enhancing the volume of foreign trade.

In 1961 India signed its first trade agreement with Iran. An Indian Trade delegation headed by Sri K. R. F. Khilnani, the then Joint Secretary, Ministry of Commerce and Industry\textsuperscript{22} visited Tehran in April 1961 to open negotiations with the Iranian government. An agreement was also signed. Iran agreed, as per this to import from India 6000 tones of sugar and India undertook to import dry fruits of value of Rs.15 million and gums, dates etc., of the value of Rs.2.5 million from Iran. Under this agreement, India was to export to Iran, tea, light engineering\textsuperscript{23} instruments, diesel engines, pumps, fans, electrical equipment, machinery for textiles and other industries, sewing machines, batteries, pharmaceuticals, chemicals and drugs. The

\begin{thebibliography}{9}
\bibitem{21} Ibid.
\bibitem{22} Brajendranath Banerjee, India's Aid to its neighboring Countries, (New Delhi), 1982.
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main items of exports from Iran to India included dry fruits, gums, dates, red oxide, medicinal herbs and plants etc.\textsuperscript{24} These trade pacts resulted in increasing Indian exports to Iran during 1962-63. The value of these exports increased from Rs.4.55 crores in 1961-62 to Rs.6.37 crores during 1962-63. 1962 was a crucial period in Indian history. The Chinese subjected Indian territories to aggression. Iran condemned this aggression and expressed her solidarity with the government of India and the people. Iran went to the extent of advising Pakistan to send its troops in support of India, when the Chinese were advancing in NEFA in 1962. These gestures on the part of the Shah of Iran were very significant and it created a favorable public opinion about Iran in India.

After the Indo-Chinese war, the President of India Dr. S. Radhakrishnan visited\textsuperscript{25} Iran in May 1963, which led to a further progress in the Indo-Iran relations. In his speech before the Tehran Radio, Dr. Radhakrishnan tried to emphasize on the importance of scientific and technical knowledge and its dissemination particularly for the welfare of the common people in both the countries.\textsuperscript{26} In March 1964, both India and Iran signed another trade agreement.\textsuperscript{27} As per this agreement several Iranian business firms were allowed to import Indian Sugar, coconuts etc., without

\textsuperscript{25} Asian Recorder, Vol. 9, No.25, 18-24 July 1968, p. 5259.
\textsuperscript{26} Ibid.
\textsuperscript{27} Directory of Foreign Collaboration in Indian Industry, Delhi, 1908, Vol. II, p. 337.
any governmental restrictions. The agreement envisaged trade in the ratio of 1: 6 in India’s favour.\textsuperscript{28}

During the period between 1961 to 1965-66, there was a decrease in India’s trade deficit from Rs.6763.73 lakhs to Rs.4, 434.17 lakhs. During the same period, India’s exports increased from Rs.698.96 lakhs in 1961-62 to Rs.937.17 lakhs in 1965-66.\textsuperscript{29} Indian exports included men, jute manufacture, spices, Iron and Steel, engineering goods, cinematographic films. The commodity composition of the Indian exports also remained constant with the exception of steel as a new item.

At the political level, there were again certain problems. In 1965 a major war took place between India and Pakistan. Iran, as usual took a firm stand in favour of Pakistan. It strained the bilateral relations between the two countries. On September 8, 1965. The Iranian government not only condemned Indian aggression but also promised every possible help to Pakistan.\textsuperscript{30} When the meeting of the CENTO took place at Ankara, Iran dubbed India, as an aggressor and resolved to support Pakistan in its crisis.\textsuperscript{31}

\textsuperscript{28} The Hindu, Madras, 9 January 1969.
\textsuperscript{31} Ibid.
Subsequently, when the issue was taken up at the UN General Assembly on Oct. 14, 1965, Iranian representatives openly sided with Pakistan. In response to the Indian statements, the Shah of Iran admitted that it was supplying arms and ammunition to Pakistan. According to Shah, Iran took this stand of supporting Pakistan, in order to prevent Pakistan from going to China for help.

However, the economic collaboration between India and Iran continued, despite certain political differences over Afghanistan and Pakistan. On 17 January 1965 the oil and Natural Gas Commission (ONGC) of India in partnership with the Philips’ Petroleum Company of the United States and AGIP of Italy, enforced into agreement with the National Iranian Oil Company (NIOC). The National Iranian Oil Company itself suggested the participation of the American Oil Company because the financial outlay necessary to work on the concessions was beyond the resources of India. Under the agreement an offshore area comprising four blocks in the Persian Gulf was assigned to the contracting parties for the exploration of oil and natural gas and for developing these, if discovered. The total area covered was 2250 square kilometers. This experiment opened a new chapter in the oil industry of India.

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32 Ibid.
35 The Hindu (Newspaper) 13 January 1969.
Another important agreement signed by India and Iran to collaborate in building and operating a refinery in Madras (Chennai) was reached. In pursuance of this agreement the Madras Refineries Ltd., was incorporated under the Indian Companies List on 30 December 1965 with a capital of Rs.13.50 crores. The NIOC held 13 per cent of the investment in the Madras Refineries, the AMOCO another 13 percent, with the remaining 74 per cent by the Government of India. The PAN American Oil Company was a subsidiary of the standard oil company.

The refinery was designed to process 2.5 million tones of crude oil per year. The refinery had several auxiliary process facilities for handling products like LPG, asphalt and sulphur. The refinery also designed to have its own power station to meet the requirements of power under normal conditions of running.

The entire crude oil required for the refinery was to be supplied from the Darius Off-shore fields near Khark Island in Iran. India signed an agreement with Iran for the purchase of crude oil for the refinery. These Indo-Iranian collaborations in the oil sector laid strong foundations for future ventures. Apart from this, several Indian companies entered collaboration with their Iranian counterparts. These were mainly in the areas such as Trailer industry, manufacturing of pipes, electrical motors, pumps, cycle

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37 Times of India, Bombay, 11 January 1969.
manufacturing plants, spare parts and automobile components etc. The major Indian companies who started such collaborative ventures were, Mahindra and Mahindra, Electric Construction and Equipment Company, Calcutta, Hind Cycles Ltd., Bombay, Kamam Metals and Alloys Ltd., Bombay etc.\(^{39}\)

Another important collaborative venture was that of Madras Fertilizer Plant at Manali. This was a Public Sector Undertaking with 51 per cent share Government of India ownership with Iranian collaboration. These joint ventures showed clearly that by the late 60’s the economic co-operation between India and Iran had reached greater heights.

At the political level also we come across certain new trends. The cold war situation was gradually getting changed and more and more nations began to realize the need for increasing bilateral\(^{40}\) relations. William Griffith in his famous article, Iran’s Foreign Policy in the Pahlavi Era has explained this changing scenario in the bi-polar world. The super powers himself there changing their earlier rigidity. In fact, the Soviet Union began to develop diplomatic relations with several CENTO powers and this removed fear from the Iranian mind that the Soviet bloc did not threaten its security.\(^{41}\)

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\(^{39}\) Ibid.

\(^{40}\) William Griffith, “Iran’s Foreign Policy in the Pahlavi Era” in George Lenozowski (ed.). Iran Under the Pahlavis, California, 1978, p. 375.

\(^{41}\) Ibid.
At the level of arms race, one notices the rise of new technology. American bases around the Soviet Union, particularly in the CENTO countries became increasingly irrelevant with the introduction of intercontinental ballistic missiles and the sea-based nuclear deterrence. Hence, it was easy for Iran to promise the Soviet Union that it would not allow the US military bases with missiles in Iran. This Iranian concession to the Soviet Union resulted in a Soviet-Iranian détente, without abandoning its friendship with the U.S.\(^2\)

Thus, after 1962, the bi-polar politics was undergoing change as far as Iran was concerned. Once the imaginary Soviet threat changed way for an increasing détente,\(^3\) it naturally led to a gradual distancing from the West. Iran began to understand that its interest is not going to be served ultimately through the CENTO type of military blocs.

The 1965 Indo-Pak war was an eye opener to Iran. Iran expected that the West, particularly the US would come openly with military aid to Pakistan in accordance with the provisions of the Baghdad PACT. Because, according to the Iranian perception, the territorial integrity of one of the CENTO powers (Pakistan) was violated in the Indo-Pak War. But the US kept its neutrality as far as the Indo-Pak War was concerned. Hence, the Shah of Iran raised this pertinent question:

\(^{42}\) Ibid., p. 51, p. 376.
\(^{43}\) Sepehr Zabih, "Iran's International Posture: De Facto Non-alignment Within the Pro-Western Alliance". Middle East Journal, No.3, 1970, p. 310.
"We see now what CENTO really is. It is a device to protect the West only. Now we know that the United States would not come to aid us, if we were attacked. It is no longer 1946...! Things have changed."

Therefore, Shah responded to the situation by evolving a fresh foreign policy posture christened as Siyasat-e-Mostaqill-e Melli (Independent National Policy). The new policy, as we have just seen earlier, a total break with the West and the CENTO powers. Rather, under the new policy framework, Iran demonstrated certain independent postures like adherence to a new regional outfit, viz., Regional Co-operation for Development (RCD). Iran also changed its policies towards the Soviet bloc and the Eastern Europe. Iran also did not like Pakistan's tilt towards China. In order to show his disapproval, he directed his officials in the foreign ministry to make certain moves, which were anti-China, but at the same time, significant gestures in favour of India. For example, when China sent its ultimatum to India during the Indo-Pak War, cautioning China that it should not meddle with the Indo-Pakistan's issue. Another important realization for Iran was that its trade with Pakistan had certain limitations. Iran understood the reality that India offered a wider market and the commercial relations with India would be much more beneficial to Iran.

During the 60's Pakistan also began to play the games of Geopolitics. A major item in this agenda was to improve its relations with the

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44 A.K. Pasha, India, Iran and the GCC States, New Delhi, p. 245.
45 Ibid.
Soviet Union and China with whom it had shared borders. Thus, Pakistan, despite its membership in the CENTO and the American alliance, wanted to improve its relations with the Soviet Union and China. This was an indication of the weakening of the bio-polar politics globally. By 1963, bilateralism became the corner-stone of Pak policy. This was a policy in which links between two countries, would exist quite\(^47\) independent of either’s relations with any third country. This proved beyond doubt that Pakistan’s new relations with China and the Soviet Union were independent of its relations with the USA or Britain. It was on similar lines that Iran also formulated the famous *Independent National Policy* (Siyasat-e-Mostaqill-e Melli). In other words, the message was clearly sent to Pakistan that Iran’s relations with India should have no bearing on its\(^48\) relations with Pakistan.

In the 60’s of 20\(^{th}\) Century, the mutual relations between Iran and Pakistan had also strained due to various reasons. In 1965 there was shooting incidents on the Iran-Pak border, which vitiated their relationship. Similarly Pakistan entered into friendly relations with Egypt and\(^49\) Syria, two modernized Islamic nations whom Shah considered a challenge to his position in the West Asian politics. Again, Pakistan’s note in favor of Bahrain’s membership in the UNESCO in Sept. 1966, which was not liked by Iran.

\(^{47}\) Ibid.


Even in the Persian Gulf region, Iran redefined its policy as a regional power with an "independent path". In this new vision, Pakistan’s utility declined in Iran’s priorities. India had long-standing relations with the Arab States. Throughout the Nehru era, India championed the cause of the Arab States. But in 1962 and 1965, when India was at war with China and Pakistan respectively, the response from the Arab states during India’s crisis was lukewarm. The foreign policy spokesmen in India normally expressed that the Arab countries were “ungrateful” to India.\(^\text{50}\)

With the demise of Jawaharlal Nehru the old ‘idealism’ in international politics began to change and the policy acquired a new edge. India always banked upon Nasser and Egypt under him as the upholders of progressive, revolutionary and secular values. But the humiliating defeat of Nasser in the Arab-Israeli war and subsequent demise of Nasserism, created a sort of vacuum in India’s\(^\text{51}\) Arab policy.

The UAR or the United Arab Republic began to break up and in 1961. The Bhathist domination in Iraq gave a severe blow to what was propounded through Nasserism. The UAR was a union of the republics of Egypt and Syria, which merged in to one in 1958 to form the United Arab Republic. On 28 September 1961, Syria seceded from the Union, but Egypt continued to call itself UAR for some time.

\(^{50}\) Ibid.
\(^{51}\) Ibid., p. 249.
Thus, against the backdrop of the inter-Arab conflict contributed to the rising stature of the Shah in the Islamic world. Within Iran there was increasing pressure against toying the Western line. Thus in the midst of these conflicts, the Shahs' *Independent National Policy* was a clever response.

The Regional Co-operation for Development (RCD) initiated by Iran resulted in a tripartite agreement among Iran, Turkey and Pakistan in 1964. The need for RCD was felt due to Pakistan and Iran's disillusionment with the US and the US sponsored CENTO regarding military aid and other assistance in times of crisis. Iran further signed a series of industrial, technical and economic agreements with the Soviet Union and the East European nations. Iran also commenced a meaningful dialogue with the People's Republic of China. In the meanwhile Iran also initiated several steps to deepen and strengthen its relationship with India. Another important advantage of the independent policy was that it reduced the criticism against the Shah regime domestically. It also allowed Shah to reduce his dependence on the U.S.

**White Revolution**

The socio-economic reforms initiated by the Shah was called the *White Revolution*. While introducing the White Revolution, the Shahanshah did not effect any change in the existing constitution. All the reforms were

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53 Ibid.
presented to the 25 million people of Iran in a national referendum on January 1963. The people of Iran voted overwhelmingly for the Shahansha’s reforms, creating what has come to be known as the “Revolution of the Shah and his People”. Much later these reforms acquired the name White Revolution,\textsuperscript{54} because it had drastically transformed in less than five years, the social economic and political systems of the nation from Feudalism to dynamic modernism without any bloodshed.

One of the major aspects of this White Resolution was land reforms, which aimed at redistribution of lands and agricultural expansion. Vesting the real tiller of the land with property rights. Excess concentration of lands in the hands of a few or the absentee landlordism was not allowed any longer.

Changes in the agrarian economy, resulted in increasing food production. Iran also witnessed increasing oil production and exports. In fact, from 1960 to 1975, there was a steady growth in the crude oil production in Iran.\textsuperscript{55} Along with this there was clear expansion in heavy industries like Petro-chemicals, metallurgical, electrical, transport equipments and mining resulted in increasing import of capital goods and construction of machinery. Iran’s import of machinery in 1969-70 accounted for 33 per cent of her total imports against 27 per cent in 1965-66. Iran’s


economic growth also led to increasing economic contacts and trade between Iran and India.

One of the fallacies of India’s West Asia Policy was its enchantment with the slogan of Pan-Arabism and Arab-nationalism. Certainly, these slogans had their relevance in 1950’s and India’s support to these slogans also meant a practical support to President Nasser. India’s sponsoring of PAN-Arabism was indirectly a tacit approval of 'Nasserism’. While emotionally getting involved herself in this pro-Nasser movement of West Asia, India also created several enemies within the Arab World. India was unaware of those forces that worked against Nasserism in West Asia and also their relative strength. In other words, India’s West Asian Policy was personality centered and it failed miserably during her crisis. For example, during the 1965 Indo-Pak War not a single Arab nation stood by India. Most of the countries belonged to the WANA group (West Asia and North Africa)\(^56\) supported Pakistan. It was with great difficulty that Nasser could persuade the Arab heads of State, who had met in Casablanca in Sept. 1965; do not to pass a resolution condemning India in war.\(^57\)

India’s position vis-à-vis West Asia became further weakened with the defeat of Egypt in the 1967 Arab-Israeli War. When the prestige of Nasser sunk low, India’s relations with West Asia also reached its lowest point. Thus after 1967, with the weakness of Nasser and the blockade of


\(^{57}\) P.J. Vatikiotis, Conflict in the Middle East, London, 1971, pp. 146-49.
Suez Canal, Egypt was hurt both politically and economically. Nasser's weakness also put serious constraints on Indian position in West Asia.

Thus, the emphasis was shifted to Iran, Turkey, Jordan and also the Gulf States. In the meanwhile, the death of Jawaharlal Nehru also had its impact on the shift of a foreign policy, which was personalized. While India had not developed any closeness as a nation with the West Asian countries, Nehru could make emotive relations with the leaders and people of some of the West Asian countries, due to his championing of their cause. But this had no relevance any longer. Hence the situation called for greater pragmatism than ideology.

Therefore, in the late sixties of the 20th Century, India began to identify other powers of West Asia including Iran in the scheme of things. Gulf was identified as a priority region. Another important was increasing emphasis on economic diplomacy. Linking economic diplomacy with foreign policy was one of the corner stones of India’s foreign policy during the Indira Gandhi era, which commenced from 1966. It was also a period of food shortage and economic crisis in India. Domestically, Mrs. Gandhi had given great importance for some of these economic questions. Socio-economic empowerment of the downtrodden was very much in the minds of Mr. Gandhi when she nationalized 14 banks in India. She also emphasized

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58 Ibid., pp. 146-49
60 See, Surendra Chopra (ed.), Studies in India's Foreign Policy, Amritsar, 1980.
greater economic co-operation between the developing nations, instead of continuing mere political rhetoric of the Nehru era. In 1968, Mrs. Gandhi made a very significant statement,

"Amongst measures taken to obtain better performance has been our decision to make our Heads of missions themselves responsible for public relations work as well as the promotion of economic relations. This should give stimulus to our efforts to improve our trade relations and to establish solid economic ties with other countries."

**New Initiative**

One of the major steps taken by Mrs. Gandhi was to send Mr. M.C. Chagla the then Minister for External Affairs to Iran in April 1967. This is considered to be a major step by India to improve the bilateral relations with Iran. Followed by this, in Nov. 1967, both Iran and India agreed to extend the trade agreement for a period of 3 years ending on 10 March 1970. It was signed by B.D. Jayal, Joint Secretary, Ministry of Commerce and leader of Indian Delegation on behalf of India and Mr. R.S. Tehrani, Deputy Minister of Economy, on behalf of government of Iran. The main agenda of the trade agreement focused on the expansion and diversification of trade between the two countries.

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63 Ibid.
In January 1968, the Shah made a special gesture by stopping at the Palam Airport in Delhi on his way home from Thailand and Malaysia. This occasion was utilized by Mrs. Gandhi to impress upon the Shah that its relations with Pakistan should not come in the way of his country's traditional friendship with India. Subsequently Sri. Ashok Mehta visited Iran and held serious discussions with the Iranian leaders on extending bilateral economic co-operation. Mr. Morarji Desai who was the Deputy Prime Minister and the Finance Minister made a significant visit to Iran from 14 to 19 July 1968. Later, the Minister for Industrial Development and Company Affairs, Fakhrudin Ali Ahmmad visited Tehran to cement India's friendly relations with Iran further. During the visit of Fakhrudin Ali Ahammad, it was decided to exchange a few teams of experts to locate areas of further economic collaboration for establishing joint ventures in the two countries. India had also agreed to send a team of experts in the field of small-scale industries.

**Shah of Iran's visit to India**

In the month of January 1969, for a period of 12 days, the Shah visited India, which further cemented the relationship between Iran and India. During this visit it was decided to appoint joint commissions on economic, trade and technical co-operation headed by the Ministers of the two countries. It was decided to plan and implement specific schemes for

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64 Times of India, New Delhi, 30 January 1968/
66 Ibid., Vol. 5, No.13, April 15, 1968.
67 Indian Express, Delhi, 14 January 1969.
co-operation through exchange of technology, joint industrial ventures and the expansion of bilateral trade.

The Iranian leaders felt that there existed great possibilities of co-operation between the two countries and they emphasized on the optimum utilization of these immense possibilities. Through these discussions and consultations, Shah realized that India was certainly marching ahead to a modern age. Shah was greatly impressed by India's achievements in several areas including science and technology.

Subsequent to this high profile visit of the Shah of Iran, the first meeting of the Joint-Indo-Iranian Commission was held in Tehran from 18 to 21 June 1969. The terms and reference of the Joint Commission had a wider range. It discussed the entire gamut of Indo-Iranian economic relations with an open mind. After thorough discussion, the Commission identified three specific projects to work upon. The first one was a joint venture to make ammonia jointly by the Fertilizer Corporation of India and the National Iranian Oil Company. It was proposed that the share of India in ammonia projects of a capacity of 2 to 3 lakh tones per year would be one fifth of the total equity participation in the form of the supply of machinery and equipment for the project and that the major production of ammonia, thus produced in Iran, would be available to the fertilizer projects in India.

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68 See, Indian Foreign Review, Vol.6, No.18, 1 July 1969, p. 5.
70 Ibid.
This joint venture was beneficial to both the countries. For example, Iran had petroleum by products. In abundance, including ammonia, India on the other hand, was in need of fertilizers to take forward her green revolution for food sufficiency.

Another area where Iran wanted Indian technical expertise was the production of railway wagons. Hence, both the countries reached an agreement to explore the possibilities of setting up a plant for making railway wagons in Iran. The third venture was a joint effort for the fabrication of transmission towers in Iran.\textsuperscript{71}

Apart from these, a high-level co-coordinating and implementation committee was set up to ensure the effective implementation of the decisions taken from time to time to plan continuous widening of the areas of joint-ventures and co-operation. It was subsequently decided to set up joint working group and five committees on petro-chemicals, petroleum industries, trade, transport and technical co-operation.

In the beginning of 1970, a second meeting of the Indo-Iranian joint commission was held which resulted in the signing of a protocol on long-term trade and joint industrial ventures. The agreement planned the supply of one million tones of liquid ammonia needed for pushing fertilizer production, 54 million worth of phosphoric acid and nearly 90,000 to

\textsuperscript{71} Indo-Iranian Joint Commission, No. 88, p. 5.
100,000 tones of sulphur a year. In return, India was to sell 492 railway wagons. Thus, Indian imports from Iran over seven years period were decided to be worth $120 million while the wagons were to earn nearly $5 million for India. The agreement also provided for a five-year study of Indian railways and a feasibility study for setting up a joint venture to manufacture railway wagons in Iran. It also revealed that joint traffic surveys were to be undertaken to find out whether Indian goods could be transported to Europe and the Soviet Union over the land routes in Iran.

By the end of the same year, a third meeting of the joint commission was held at Tehran. At this meeting, which was held on 28-30 Dec. 1970, it was decided to make an agreement for the import of sulphur and phosphoric acid. The meeting also appreciated the investigation of the possibilities of greater exchange of expertise and components between industries.

During the period from 1966-67 to 1970-71 India's exports to Iran increased from 1,031.09 lakhs of rupees to 2,663.76 lakhs rupees. During the same period, India's imports from Iran increased from Rs.3,049.98 lakhs to Rs. 9,163.52 lakhs clearly, the trade deficit increased from Rs.2,018.33 lakhs to Rs.6,499.76 lakhs. Thus the balance of trade was not in favor of India. The following were the items exported to Iran during 1966-67 to 1970-71.72

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Chapter-II

Indo-Iranian Relations - The Shah Regime

- Iron and Steel
- Engineering goods
- Tea
- Jute manufactures
- Spices and
- Cinematographic Films

The exports of Jute manufactures declined considerably and that of tea also showed a downward trend. The Jute goods were affected by the serious price competition offered by Pakistan. It was in the field of sack material exports that India suffered significantly. India had already reduced the exports duty on sack material exports from Rs.600 to Rs.450 per tone. The resultant advantage had been wiped out by the increase in the rate of bonus voucher from 20 per cent to 30 per cent, announced by the Government of Pakistan in July 1967.

The New Power Equations in South Asia

Two important developments had taken place in the Indian subcontinent and the Persian Gulf, during the early 70’s of the 20th century. The Indo-Pak war of 1971 or the ‘Bangladesh War’ of 1971 resulted in the surrender of 90,000 Pakistan soldiers before the Indian army and the liberation of Bangladesh and its subsequent declaration as an independent nation of South Asia, free of Pakistani control. The liberation struggle by the

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73 The Hindu (Supplement), 9 January 1969.
74 Ibid.
East Pakistani's (Bangladesh) had proved that a nation cannot be built purely on the basis of religion, but there are so many other factors such as ethnicity, language, cultural heritage, geographical contiguity etc. West Pakistan and East Pakistan in to one nation was a geo-political and historical absurdity. The Bengalees always felt that they were treated as second-class citizens by the Punjabis, Sindhis and the Baluchis of West Pakistan. Their “Sonar Bangla” golden Bengal was a mere ‘colony’ of West Pakistan. Hence, the people of East Pakistan under the leadership Mujibur Rahman and the Awami League organized a liberation struggle for the independence of Bangladesh with the help of the Mukti Bahini fighters who were later aided by India. The Indo-Pak War of 1971 resulted in the liberation of Bangladesh by the Mukti Bahini and the Indian army.

In fact, the dismemberment of the old75 Pakistani state demonstrated to the Western powers that any attempt to bolster up Pakistan with armament and for power-parity in South Asia had no meaning. In fact, one of the senior Pakistani journalists too had held this view. One of the articles in Dawn published from Karachi stated: ... “for Pakistan the achievement of parity in military might with India was not a practical proposition even before 1965. It is even less so in today’s condition. Therefore, Pakistan cannot enter in to an arms race...”76

Thus, it was clearly proved that building an artificial power-parity with India was not only futile but also detrimental to the survival of Pakistan as a

75 See, Mohammad Ayoob and K. Subramaniam, The Liberation War, New Delhi 1972, pp. 29-93.
76 As quoted in Times of India, Delhi, 3 March 1972.
nation. Thus the post 1971 scenario changed India's security concerns and threat perceptions. With the defeat of Pakistan and the creation of a friendly Bangladesh, it was easy for India to come out of its Pak-centered foreign and defence policies. In fact, this pre-occupation with Pakistan had prevented India from playing an effective role in the wider horizon of international affairs.\textsuperscript{77}

India had a great potential to play such a decisive role, considering its size, geo-strategic location and resources. But its pre-occupation with Pakistan over Kashmir continued to be an \textit{Achilles heel}, which prevented her from playing such a meaningful role.

But after the 1971 victory, the threat from the northern borders could be easily managed. That apart, India emerged as the principal power in the Indian sub-continent. This was internationally acknowledged not only by the academic world but also by the leaders and the media. For example, in its editorial, \textit{Economist} (London) wrote:

\begin{quote}
It has taken Mrs. Gandhi a fortnight to change the map... By destroying the of balance of power between India and Pakistan, she has removed the only rival to Indian supremacy between Iran and Indo-China.... She saw the chance that other people's mistakes had given her; judged the moment to strike; and then struck. It is India's sub-continent now.\textsuperscript{78}
\end{quote}

\textsuperscript{77} Mohammad Ayoob, "India and Pakistan: Prospects of Détente", Pacific Community, Tokyo, Vol. 8, No.1, Oct 1976, p. 156.
\textsuperscript{78} See for detail, "War and New South Asia; Toward a New Balance of Power", Current No.137, Feb. 1972, p. 52.
The new scenario had certainly helped the Indo-Iranian relations. Because, Pakistan could no longer come in the way of the Indian, Iranian relations with its slogan on Kashmir.

While India was demonstrating her supremacy in the Indian Subcontinent, Iran occupied three strategic islands in the Persian Gulf region, which were vacated by the United Kingdom. These strategic islands guarded the Hormuz straits. Iran decided that she should play a decisive role in the Gulf region. Capture of these islands was only symbolic. But the real purpose was to dominate the Gulf region and act as the leading power to police the area. This was a reflection of its desire to pursue an independent policy of its own to protect the Iranian interest.

“We cannot rely on foreign intervention to help us against aggression. After all, why should any country defend another, that is unable to defend itself? One must make one's own struggle” - said the Shah after the Iranian occupation of the three islands.

As far as Iran's neighbors were concerned none of them except Iraq could challenge Iran. Saudi Arabia expressed her verbal displeasure, but nothing beyond it. The United Arab Emirates, though oil rich, was too small and weak to offer any resistance. Iraq had broken diplomatic ties with Iran, but Egypt did not do so.
The ruling regimes of the Gulf region became increasingly reconciled to the Iranian domination in the area. In the meanwhile Iran had resumed diplomatic ties with countries like Egypt also. This new reconciliation also paid well. While Iraq severed diplomatic ties with Iran for landing the army for occupation of the Islands, Egypt did not do so. Even Kuwait did not raise its voice against Iran. But Iraq remained the lonely opponent against Iran in West Asia. But it could not physically act against Iran because it was also pre-occupied with the Kurdish problem and the intra-Arab problem with countries like Egypt and Syria.\footnote{R.K. Ramazani, "Emerging Pattern of Regional Relations in Iranian Foreign Policies". Orbits (Philadelphia), Vol. 18, 1975, p. 1058.}

Hence, when Iran emerged as major power in the Gulf region, it was not challenged seriously by any of the Arab countries, which provided a kind of legitimacy to Iranian supremacy.

The post 1971 developments created strains in the relations between Iran and India. As far as Iran’s Gulf policy as concerned, India did not question the legitimacy of its action. But Iran sided with Pakistan in the 1971 war, questioning the dismemberment of that country. When the British handed over the Diego Garcia Island of the Indian Ocean for U.S. base, India opposed it, but Iran treated it as a necessity to balance Soviet presence in South Asia. Thus post 1971 situation took Iran closer to the United States and India moved closer to the Soviet Union.
During the Bangladesh Liberation War, there was a threat of Chinese intervention in support of Pakistan and the US Secretary of State Henry Kissinger\textsuperscript{80} went to the extent of warning that if China intervened, New Delhi should not expect any help from the United States. This resulted in India turning towards the Soviet Union and signing the Treaty of Friendship and co-operation with that country.

Strangely, during the same period, Iran was getting closer and closer to the United States. It was getting arms from the United States. This gradual tilt towards the U.S. made Iran greatly dependent on that country. U.S. on the other hand had its own strategic objectives in the Persian Gulf region. Iran was certainly used as a plank for containing the Soviet Union by the United States.

This was a strange situation. Both India and Iran had moved closer to the opposite camps in the international scene. This situation was pregnant with complication for the normal Indo-Iranian relations. Apart from this, Iran took a firm stand of\textsuperscript{81} supporting Pakistan after Pakistan as defeated humiliatingly at the hands of India. The territorial integrity of Pakistan was a geo-political necessity for Iran, particularly in the context of the Baluchi dissidence within Pakistan. On the other wise of its border, Iraq was openly supporting the Baluchi dissidence and liberation movement

\textsuperscript{80} Raghunath Ram, Super Powers and Indo-Pakistani Sub-continent: Perceptions and Policies, New Delhi, 1985, p. 304.
within Iran. Hence any disintegration of Pakistan would give wrong signals in the neighborhood. The Shah of Iran had a fear that Pakistan would be ultimately dismembered and subverted by Soviet and Indian moves. A dismembered Pakistan would produce independent states in Pashtunistan and Baluchistan under Soviet influence and thus a Soviet controlled outlet to the Indian ocean, with subsequent Soviet support for a “greater Baluchistan”, that would include the 750,000 Baluchis in Iran.\(^\text{82}\)

Just as India, Iraq also had signed a Treaty of Friendship with the Soviet Union and the Soviet Union also had signed a Treaty of Friendship with India. The U.S. policy makers “guided” the Shah to believe that there was a grand design for the dismemberment of Pakistan by India and the Soviet Union, and Iran would be later victimized by the Soviets and the Iraqis. This was a grand US plan to make Iran closer to Pakistan in the strategic and the geo-political point of view. Under this scenario, the Indo-Iranian relations suffered greatly.

The foreign policy makers in Delhi increasingly believed that the US was using Iran under the Shah as a conduit to channalize its political and military support to Pakistan so that Pakistan would continue to be at loggerheads with its larger neighbour India.

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\(^{82}\) William Griffith, “Iran’s Foreign Policy in the Pahlavi Era” in George Lenczowski (Ed.) Iran Under the Pahlavis, California, 1978, p. 382.
The Iranian authorities continued to convince New Delhi that it supports to Pakistan was only conditional, only on the eve of being attacked by India, New Delhi was not convinced. New Delhi also continued to believe that arms given to Iran by the US would reach Pakistan to be used against India. For example, in 1973, when the United States took a decision to supply large-scale sophisticated weapons to Iran, for a period of 5 years, India seriously objected to the move on the ground that the weapons would reach Pakistan. Thus the Indo-Iranian relations almost reached a breaking point on account of the Pakistan factor.

However the visit of Swaran Singh, Defence Minister to Iran in July 1973 cleared some of the serious misconceptions, both the countries had harboured for some time. Subsequently, Princess Asharaf Pahlavi, Shah’s sister visited India which also broke new grounds for greater understandings between the two countries.

The Indian delegation under Swaran Singh tried to convince Iran that India had an equal stake as far as the territorial integrity of Pakistan was concerned. Because total disintegration of Pakistan into smaller states can produce fissiparous tendencies in northern part of India also. The Iranian authorities on their part, assured the Indian team hat Iran would use its

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influence on Pakistan to have a peaceful negotiated settlement of all the outstanding problems between India and Pakistan.\textsuperscript{86}

In his interview given to \textit{Times of India}\textsuperscript{87} the Shah said that he was imploring Pakistan to pursue a policy not only of peaceful co-existence, but also of active co-operation with India because it was evident to him that there could be no stability in South Asia without this co-operation. After Sardar Swaran Singh's visit, the statement made by the Shah and the Foreign Minister Khalatbari tended to de-emphasize the so-called Indian threat to Pakistan's integrity and replaced it with the expression 'internal subversion' to pacify India. Now Shah began to state that he would not tolerate the disintegration of Pakistan either by internal subversion or external pressure.

Iran also realized that if Iran should grow as a major power in the Gulf area, it could be done only with the active co-operation\textsuperscript{88}. A hostile India could in future, threaten Iranian aspirations in the Gulf and challenge the very legitimacy of such objectives. It was necessary for any medium powerful state to create and maintain a favorable regional environment while it aspired to become a regional super power.

\textsuperscript{86} The Tribune, Chandigarh, 27 July 1973.
\textsuperscript{87} The Interview of Shah, Times of India, 4 July 1973.
Iran also wanted to send a strong message to Pakistan that if it tried to establish stronger links with the Arab countries against the aspirations of Iran, then Iran would go for its own course of action. In fact, during the post 1971-war period, Pakistan under Zulfaqar Ali Bhutto had established links with the smaller, but wealthy Arab States of the Gulf region in the name of Islamic brotherhood and on an anti-Indian plank. Bhutto made these visits in May/June 1970.

Iran also had another ulterior idea. By establishing closer links with Delhi, Tehran would be able to reduce its dependence, particularly, economic, political and military on Moscow and thereby reduce the chance of Russian 'Pincer movement' to surround Iran, Shah had envisaged it. Iran also wanted to see that India did not establish very strong ties with Iran, to the detriment of Iran.

When Pakistan succeeded in rallying behind it a large number of Arab states of the Persian Gulf region, it was certainly a major source of concern to India. This step on the part of the Arab States was compared by the Indian authorities with the “responsible and matured stand of Iran”. By the middle of 1973 New Delhi acknowledged Iran’s sincerity in desiring a stable relationship with India. New Delhi also understood the grand design of USA as far as its Iranian policy was concerned. Firstly, USA wanted a steady supply of Iranian oil; secondly it wanted steady supply of foreign

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exchange through Shah's dollars. In fact, in the early 70's USA was constantly in the foreign exchange crisis.²⁰

Therefore, it was in the interest of India that the relationship with Iran was to be strengthened. That was the reason why, Kuldip Nayar, veteran Columnist stated thus: Once New Delhi has reached understanding with Tehran, the flow of U.S arms to Ravelpendi through third countries will stop.²¹

In August 1973, there was an agreement between India and Pakistan over the humanitarian problems unleashed by the 1971 war. This move was welcomed by Iran's as great step towards the normalization of relationship between both the countries. This followed by Pakistani recognition of Bangladesh in Feb. 1974. Followed by this, a tripartite agreement among the three countries of the sub-continent was signed in April 1974, thus finally clearing refugee problem and²² other humanitarian issues of importance. In fact by 1974, Pakistan had certain advantages. The geopolitical integration of Pakistan was easier after the separation of Bangladesh. Thus, the threat of internal subversion got substantially reduced and there was no reason for the Shah to worry about Pakistan's disintegration. A major intention of Iran and India to improve relations was nothing but their economic motivation. New Delhi realized that there was

²¹ As reported in the Statesman, Delhi, 15 January 1974.
²² The Patriot, New Delhi, 30 January 978.
much potential for mutually beneficial economic ties. One sign of this realization was the then ambassadorial appointment for beneficial economic ties with Iran.

As India was in need of foreign capital and credit facilities to any one its massive industrialization programme, it welcomed aid and investment from small but rich Persian Gulf states. Its desire was to reduce the financial dependence on the USA and the USSR, which had used very often their financial aid to pressurize the recipient country. Regarding his problem, the then Prime Minister of India, Indira Gandhi stated that India welcomed foreign investment but those willing to invest ask a price which India had to consider in proportion to what it got. One of the major positive points of India was that it had a vast reservoir of surplus skilled labor, whose services could not be fully absorbed at home. So it had an eye on the capacity of other gulf countries to absorb its skilled labor force and technical manpower. On the other hand, the Shah of Iran had set before himself the task of making Iran a highly industrialized country. With this objective in mind Shah wanted to utilize India's technology and raw materials. Many agreements were signed between Iran and India for the expansion trade, industrial investment, joint ventures etc.

95 Indian Express, Delhi, 31 January 1978.
96 Ibid.
The Iranian harbors were too small to handle the import of huge supplies of equipment, machinery and other goods. During this time, Iran had developed interest in the purchase of Indian goods and one method was to transport them to Iran over land via Pakistan instead of sea-route. Since this transit route runs through Pakistan, it had given an additional incentive to Iran to use its leverage with Pakistan to persuade that country to normalize relations with India.

Some of the advanced industrialized countries like Germany, Japan, USA, UK and^97 France had evinced interest in the Indo-Iranian joint ventures, fully knowing that there was scope for third party participation for the introduction of advanced technology in many areas. For example, Japan offered to build ships for the proposed Indo-Iranian shipping line and help Iran to set up its own shipbuilding industry in due course. Similarly, some of the other^98 industrialized nations who were facing the threat of recession, needed outlets outside. Third party participation in such joint ventures was considered to e viable by many industrialized nations.

As far as the two countries were considered, they did not have any outstanding bilateral problems or political disputes by the late seventies. The super powers also had entered an era détente, which made military pacts like CENTO irrelevant. Thus, in the changed circumstances, India and Iran could come closer.

98 Ibid.
After 1973, the international price of oil increased tremendously. The increase in the price had seriously affected the Indian economy, just as in the case of several other developing countries. Therefore, it was necessary for India to ensure that the major source of oil supply was kept open on reasonable terms in order to reduce the balance of payments deficits, which had shot up steeply. India was also interested in finding credits on favorable terms by oil producers.

The activities of the Indo-Iranian joint commission for joint ventures and economic activities continue to progress in the middle of the seventies. Swaran Singh, the External Affairs Minister of India visited Tehran to participate in the deliberations of the Indo-Iranian joint commission. He continued the discussions that took place in Delhi in January 1974. When his counterpart Hushang Ansari, the External Affairs Minister of Iran had visited India. The purchase of crude oil by India was one of the top items in the agenda of his talks. The deliberations of the Commission resulted in a protocol on Indo-Iranian economic collaboration, which was signed on 22 February. Apart from the usual export and import of items, the question of developing the mining facilities at Kudremukh Iron Ore deposits was taken up.

Iran had agreed to give credit worth $ 800 million for developing these new iron ore mines along with the necessary facilities transportation.

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and pelletisation. Another project for which Iran had agreed to provide credit was the production of aluminium based on bauxite. Iran had informed that its requirements of alumina were about 100,000 tones over a period of 10 to 15 years.

Apart from this, India had agreed to apply to Iran 300,000 tones of cement and considerable quantities of steel produced in India by 1974-75. Other items, in which Iran had shown interest, were machinery, equipment, railway wagons and other engineering goods. A joint committee was to identify specific items, the production capacity, which has to be expanded in India with Iranian assistance, to meet the Iranian needs.

Another decision taken was to have joint shipping line to transport iron pellet, seeds to Iran. This was very beneficial, as it would help India to avoid prohibitive freight rates that were being charged by international shipping lines. Another important development was that Iran had agreed to supply oil at a subsidized rate on a deferred payment basis. In this regard, a statement was made by Mr.D.K.Barooah, Minister for Petroleum and Chemicals on 4 March 1974. This was in addition to the crude oil that was imported by Burma Shell and Caltax for their refineries. It was expected that this large-scale supply of crude oil would help the expansion of Madras Refinery from 2.8 million to 3.5 million tones. According to India, the terms

103 Rajya Sabha Proceedings, Vol. 87, No.10, 4 March 1074/
of payment for crude supplies, which covered a five-year period and amounted to 400 million, were quite liberal, bearing an interest rate of only 2.5 per cent.\textsuperscript{104}

Bilateral relations were further consolidated following Mrs. Indira Gandhi’s visit to Iran in April 1974. The visit helped in further expanding the area of co-operation for which the basis was laid two months earlier, with the signing of number of agreements. When Mrs. Gandhi concluded her visit, “a Memorandum of Understanding” was signed.\textsuperscript{105} The Joint Communiqué issued at the end of the visit talked about increasing the production of the Kudremukh-Iron Ore Project to 7.5 million tones per year for use in Iran. In order to bolster up trade on a big scale, the two countries took the pioneering decision to form, with Iranian Financial Assistance, a joint shipping line having an initial capacity of 500,000 tones. It was to operate between Iran and India as well as to the ports of Far East and other routes, which could be agreed upon.

During the visit, the second by an Indian Prime Minister, a basket of agreements were signed.\textsuperscript{106} The most important was the agreement to collaborate in the field of atomic energy. The communiqué issued, following the visit, stated that contacts would be made “between the atomic energy organizations in the two countries in order to establish a basis for

\textsuperscript{105} Indian Express, 3 May 1974.
\textsuperscript{106} Kashif Momtaz, Changing patterns of India – Iran Relations, 2005
cooperation in this field.\textsuperscript{107} Iran and India signed a nuclear cooperation agreement in February 1975.\textsuperscript{108} Thus, the visit set the stage for cooperation in the fields other than the economic one. The warmth of Iran-India relations during this phase could be gauged from the fact that between October 1974 to February 1978, the Shah visited India twice.\textsuperscript{109} However, this phase too could not last long and the upward trend in Iran-India relations was arrested by the overthrow of the Shah's regime in Iran in 1979.

Thus, the history of the Indo-Iranian relations during the Shah regime was a journey from the days of the military alliances to the days of detente. Iran increasingly realized the necessity of pragmatic considerations in her relations with her neighbours. Economic considerations became increasingly the first priority in Iran's relationship with India during the last phase of the Shah regime.

\begin{footnotes}
\item[107] www.nti.org
\item[108] Ibid.
\item[109] A.H.A.Abidi.op.cit.pp.897-898
\end{footnotes}