

US Sanction on Iran and Venezuela, India's Need for Change in Oil Import Policy

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ABSTRACT

The paper traces the present oil scenario in respect to Indian economy, utilizing comparative approach method and analyzing trade data, the present implication of imposed sanctions on Iran and Venezuela and the corresponding effect it has on global oil prices and India's stance within the outlier.

Keywords: Sanctions, USA, Iran, Venezuela, India, Oil trade

Sovereignty of each state matters in the concept of 'Nation state' and its national interest matters in international polity, but in the modern international political arena subjugation and domination of superpowers over weaker nations is a realistic political scenario. In this paper it goes with the detailed study of US Embargo on Iran and Venezuela and its implications on India, the world's third biggest oil importer and consumer, India covers over 80% of its crude oil needs with imports.

"Oil prices could spike to "unimaginably high numbers" if the world doesn't come together to deter Iran". (Matt Spitalnick, 2019) The statement was made by the Crown Prince Mohammed bin Salman, while speaking to CBS. His statement is an insight as to what would happen if the current predisposition remaining between Iran and Saudi Arabia were to continue. The recent attacks on Saudi Arabia's oil industry did not help the already strained relation between the countries moreover while the International Community deems Iran responsible.

The paper will be analyzing in depth the consensus of the Current geo-political scenario between Saudi Arabia and Iran, as well as rigid sanctions on Venezuela by USA. The cause effects of the same on the world and how it has affected India's Foreign Policy. Taking all things together, the paper will try to examine the variations of how International Oil exchange will significantly affect India's Economy all in all. All while the ongoing Biden administration stand with respect to something very similar, in the meantime China isn't sticking to the US-forced endorses and had consented to put \$280 billion in Iran's oil, gas and petrochemical areas that are being impacted by US.

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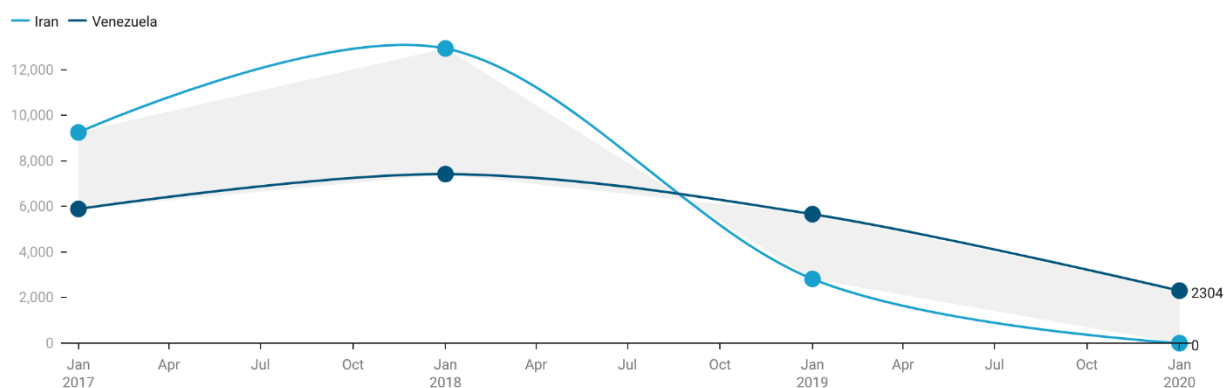
Iran is already complaining about the slow developmental works of Chabahar Port funded by India. As such paper will make an effort to study the impact on India's oil policy on Iran and how it will affect Indian market? The paper will be an insight to 'change in policy of India on Iran' and its nuclear aspiration. The US's sanctions on Venezuela, especially on the national oil company PDVSA have a very deep effect on oil exports to India. This paper will also analyze the complications in Indo- Venezuelan oil trade and its impact on total Indian oil import particularly. The more India depends on foreign oil import by analyzing the current political changes and dynamics India needs to make a shift in its strategic partners in Petroleum trade, including finding new resources of oil both internationally and domestically, this paper will also comprehensively study the need for a permanent solution for this highly shifting oil trade relations in global Order.

US economic and trade sanctions on countries like Venezuela and Iran which contributes a larger share to the world's oil production are making a prolonged impact on both these countries as well as the oil dependent countries like India. India forced to buy oil from Kingdom of Saudi Arabia (KSA) with higher price. International politics itself a zero-sum game of world powers, in one side while US putting sanction on Iran, other side KSA is benefiting from this by getting an upper hand on West Asian power games. Iran and KSA having ideological and geopolitical conflicts in West Asia, which got more strength in its complications after putting sanction by USA on Iran. Iran become in a diplomatically isolated position after these embargos, and KSA and his ally UAE is effectively using this opportunity to sell and bargain on the production and supply of oil in to the different parts of the world particularly in Asia.

The current political turmoil between Russia and Ukraine also made crisis in international oil trade, since Russia stopped its oil supply to Europe. But as far as India is concern with its local interest on oil import, Russia is ready to give more oil to India with lesser price and the discussions has started to make it in Indian rupee itself.

This paper will be an overall study on how these embargos by US and current political developments particularly Russia- Ukraine war is affecting on India's oil trade.

Petroleum Oils Crude import to India 2017-2020



Source: UN Com-trade database • Created with Datawrapper

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US sanctions on Venezuela and its impact on India

“The United States in January imposed sanctions on Venezuela’s most important global business production and selling of crude oil - as the Trump administration ratcheted up its bid to force socialist president Nicolas Maduro out of power” (Eaton, 2019)

The move higher in 2019 has put a severe strain on the global oil economy as a whole, undermining a booming business sector that is gaining momentum at the time, needless to say, when one brings up Venezuela's oil imports to the US, they collapse into the spotlight. on compliance with approval. However, 186,000 barrels per day were imported in the week ending April 26 – a sign traders say organizations are taking the last of their permitted supplies in the wind ending April 28, 2019.

Venezuela has been the subject of crippling US sanctions since 2017, when Washington imposed sanctions on Venezuela's state oil organization PDVSA. In 2019-2020, the US Treasury Department imposed an oil embargo, a blanket ban on all trade with Caracas, and cut off imports of gasoline and thinners. In addition, Washington has imposed optional permits and a large group of different measures, including freezing or blocking several Venezuelan sources abroad, especially in the US. The US has imposed restrictions on exchanges and all remaining transactions with the Venezuelan government and businesses.

India itself buy huge chunk of Venezuelan oil, being one of the countries which give cheapest oil to India, in Indian market the ban on Venezuelan oil severely affected, oil price increased every alternative day. India had to look for sudden alternative regarding this shift in international oil trade. Here it proves that than a static oil import policy India should have dynamic trade and oil import policy in this changing world political order. Venezuela being one among the largest oil producing country, embargo on Venezuela already made a setback in smooth flow of oil trade in international arena. This not only affected India but overall crude oil trade across the globe. The Latin American and central American oil trade also depended up on Venezuela, Mexico, Brazil, embargo severely affected on these regions as well, particularly Ecuador faced various protests in the country against huge spike in oil price.

US sanctions on Iran its impact on India

The JCPOA is the understanding made in 2015 between Iran, the United States, Russia, China, France, the United Kingdom, Germany, and the European Union that put significant limitations on Iran's atomic science exercises, gave controller and uncommon admittance to Iran's atomic offices and gave Iran help from a scope of exchange and monetary authorizations. Iranian authorities have proactively got compromised of extreme results assuming with the assured arrangement, later United States chose to leave the understanding and re-establish all authorizes that had been postponed off under the JCPOA.

India hopes to continue buying oil from Iran if the second US sanctions are lifted. India halted oil imports from Iran in mid-2019 after the Gulf country agreed to Trump's sudden crackdown on them. Additionally, the US and other world powers continue to hold talks in Vienna to restore Iran's nuclear arrangement. "If the approvals are removed, we can expect to continue importing oil from Iran," said the authority, which asked not to be identified. Refiners in India have already

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started preparatory work and will soon enter into contracts once they are approved, he said. "Now we have the distribution of business terms and we can easily go to Iran as a permit to transport oil," the authority said. Iranian oil coming into the market will not only reduce costs but also help India expand its import container. In 2020-2021, Iraq was the largest oil supplier to India, followed by Saudi Arabia and the United Arab Emirates. Nigeria is the fourth largest donor and the US the fifth. (India, 2021)

India's sluggish formative works in Chabahar Port makes Iran dubious on India's stand and strategic connection, however US put sanctions on Iran, India was in vulnerable position for having layered relationship with Iran. Chabahar Port improvement India in the last stage couldn't assist Iran with welling because of US authorize, later Iran finished the last progressive phase its own. The comprehension on joint venture and advancement of Farzad-B gas field project also got in to end because of India's more vulnerable stand on US-KSA hub strategic strain. Farzad-B gas field said to be viewed as 23 trillion-cubic-feet gas field, which India might have invested and helped in longer period but got gradually lost, Iran later settled it with concurrence of its own neighbourhood organization Petropars . Something almost identical happened 620 km rail route connect between Chabahar Port and Zahedan in Afghanistan, through which India could make direct business connect to Afghanistan bypassing Pakistan. In this venture too after continues grievance from Iranian side, Iran kept India to the side and began working ahead with its own speculation. India compromised everything in front of US sanctions by losing exceptionally key and business projects in Iran.

India's oil imports from Iran have two aspects: monetary and strategical. The financial aspect is the lesser cost. Iranian oil has fallen in price and has recently been paid for by trading game plans like longer credit duration. A brief exemption granted to India and seven different countries from US sanctions to buy Iranian oil had ended after few months. Since India is a major importer of Iranian oil Pushing Iranian oil out of India's energy basket created significant implications. India imported 23.5 million tons from Iran in 2018-19. In 2017-18, more than 10% of the 220.4 million tons of oil imported into India came from Iran. This unexpected reduction of Iranian oil assets made an incredibly negative impact on India's own economy; Gasoline and diesel prices have risen significantly. now India should explore the challenges to overcome this oil resource vacuum.

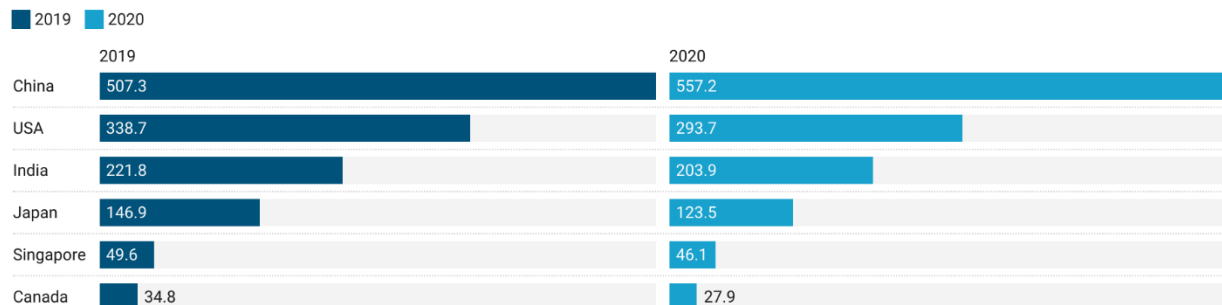
India's challenges and future Prospectus in oil trade

India may increase its dependence on oil imports from Saudi Arabia and the United Arab Emirates (UAE) because of feasibility of transport. Then US Secretary of State Pompeo said the US had "engaged in "extensive and constructive discussions with Saudi Arabia, the United Arab Emirates and other key producers to facilitate the change in middle eastern oil supply and ensure adequate supplies to match the unexpected shutdown of Iranian oil on the global market, in addition to the US supply of shale gas and oil. India begins tapping US oil and becomes a business opportunity for its liquid combustible gas, with Indian companies investing \$4 billion in US shale gas resources, in parallel India must continue trade negotiations with Iran, which supplies oil at a slow rate, with ongoing dialogues it gives hope to India with an understanding the importance of India's oil import dependency. India petroleum strength wishes are basically met from imports. India may have to take alternatives that provide deals that appealing as the ones provided like Iran, along

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with 60-day credit, unfastened coverage and shipping. This is why this deal fluctuate from different countries.

Global Oil trade import in 2019 and 2020



Source: Statistical Review of World Energy 2021 | 70th edition • Created with Datawrapper

Prices of India's crude oil basket, which represents an average of Oman, Dubai and Brent crude, strengthened. Any increase in global oil prices will affect India's oil import bill and trade deficit. Every dollar increase in oil price increases the import bill by about ₹ 10,700 crore every year. When India having these cheapest resources, the GoI should try to preserve it at any cost, rather compromising its sovereignty over foreign policy of western powers. India should focus on oil trade with its national currency, like Russia demanding same from its customers to make agreements with its own Ruble. India planning to buy crude in rupee as well, it's a strategic initiative to balance exchange in Dollar supremacy over the international oil trade particularly.

A gap has emerged in India's refining sector as private refiners take advantage of cheap Russian crude to boost export earnings, while state-owned refiners focus on domestic ones, which are under pressure from high oil prices and government-suppressed local fuel prices. While many Western buyers shunned Russian oil in response to its invasion of Ukraine, private Indian refiners such as Reliance NSE 0.03% and Nayara were among the biggest buyers to compete to buy Russian oil. India has bought about 62.5 million barrels of Russian oil since Moscow invaded Ukraine in February. more than three times in the same period in 2021, of which more than half this share belongs to private refiners such as Reliance Industries and Nayara Energy. (Nidhi Verma, 2022)

Right now for India finding an alternative supplier in this current global political turmoil it will be difficult, but it can explore different oil resources. Global oil markets are in a tight spot. The Organization of the Petroleum Exporting Countries (OPEC), which accounts for about 40% of world production, continues to curb supply, and the US administration has also imposed sanctions on Venezuela and Iran, its fluctuations in crude price. India should also get its domestic oil production act in order. At a time when its demand is increasing, it is necessary to diversify the source of oil imports and it should opens the doors of opportunity to welcome different oil importers.

India has recently been forced to make a diplomatic tightrope in Ukraine to mend relations with Moscow and the West. Delhi's first statement at the UN Security Council (UNSC) did not address

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any country directly, but sent a direct message to the international community that diplomacy and dialogue must have a chance to prevail. However, India refrained from criticizing Russia, and when UN Security Council put forward, a draft resolution condemning the invasion, Delhi faced calls from Russia, the US and Ukraine, to make a balanced diplomatic decision India chose to abstain, but a closer reading of the statement revealed that it went ahead and indirectly asked Moscow to respect international law. India said it was important to "respect the Charter of the United Nations, international law, national sovereignty and territorial integrity" and that "all member states must respect these principles to find a mutually beneficial path". This is because the UN General Assembly overwhelmingly condemned invasion of Ukraine. After continuous meeting, senior officials in Washington asked India to "take a clear stand" on Russian invasion. (Pandey, 2022). India's strategy has raised questions, especially in the West, about whether the world's largest democracy should take a clearer stance. Here, on the other hand, we see Iran moving closer to Moscow with its diplomatic and trade ties, while the EU isolates Russia, Iran tries to find a better ally, which immediately becomes a point of contention for India due to its dependence on these countries. (Grajewski, 2022)

India and Iran may soon begin preliminary talks to resume bilateral oil trade, which has faced US sanctions since 2019, as Iran and the US seek to speed up talks to revive the 2015 Iran nuclear deal India positively looking forward with the discussions by the Biden administration with regards to Iran. Joe Biden administration looking forward to make a comprehensive and inclusive agreement with Iran, which will basically benefit to both nations, to stop Iran in its developments of nuclear experiments EU and US should work on easing and withdrawing sanctions on Iran and initiate effective talks. This diplomatic talks and understanding will probably lead to reinstate India's oil trade with Iran, and again India could easily utilize its cheap selling oil trade partner with flexible credit dates. (Takeyh, 2022)

CONCLUSION

US as a world power having its own national interest as well as international interest. US have put sanctions on different countries including Cuba, Venezuela, Iran etc., it also put restrictions and sanctions on different Chinese companies and businessmen, recently on Russian companies as well. The US stand on different global issues also varies with its own interest like its withdrawal from JCPOA with Iran, as well as Paris climate agreement. In total interest of US being always protected. Here in this article, it in detail particularly analyzed US sanctions on Iran and Venezuela and its implications on Indian oil import. In this article it analyzed India being the third largest oil import country in the world, its oil dependency makes her more vulnerable in international crude oil trade.

Venezuela as one among the countries which give cheap crude oil and consisted of huge chunk of Indian oil import, made a very deepening crisis in Indian oil industry and domestic oil usage. India had to adhere and enforce the US sanction and follow it up. Similarly Iranian oil industry which gives with cheap rate and longer credit duration to India, GOI was not able to stand up against US sanctions on Iran. Not only India stopped oil trade with Iran, India had to stop all investment projects and joint ventures in that country. Here we could analyze India one side compromising its sovereignty of policy making. In this crucial juncture its evident that India should have proper and dynamic oil trade policy. International politics highly dynamic and changing every day, there is no permanent ally or enemy, India has to look forward in a wider angle. Recent war between

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Russia and Ukraine gives a lesson of self-introspection that how to act in these situations. India moreover utilized Russia- Ukraine conflict in an effective manner that now Russia surpassed Saudi Arabia in India's second ranking oil importer. Russia pumping their oil to India and China after stopping their oil trade in to EU countries. Now Indian government and private companies like ONGC Videsh Ltd and Reliance are competing in Russia to get more fuel and setting up new refineries and technological investments.

In overall Indian oil import assessment, India should accelerate its investments in oil producing countries rather directly buying and processing in India. It saves time and financial expenditure. While studying the ranking on Indian oil importers its gradually shifting in the current global political order, as emerging world economy India should look for new and ever shifting oil trade policy rather depending on a permanent oil resource country. The spike in Indian domestic oil price was also because of these fluctuations in international oil trade, therefor India should explore its suitable possibilities of consistent supply of crude and gas. India being a sovereign nation state also should analyze its capabilities and limitations in a comprehensive policy making strategy by not compromising Its national and international aspirations as a global power.

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Conflict of Interest

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