

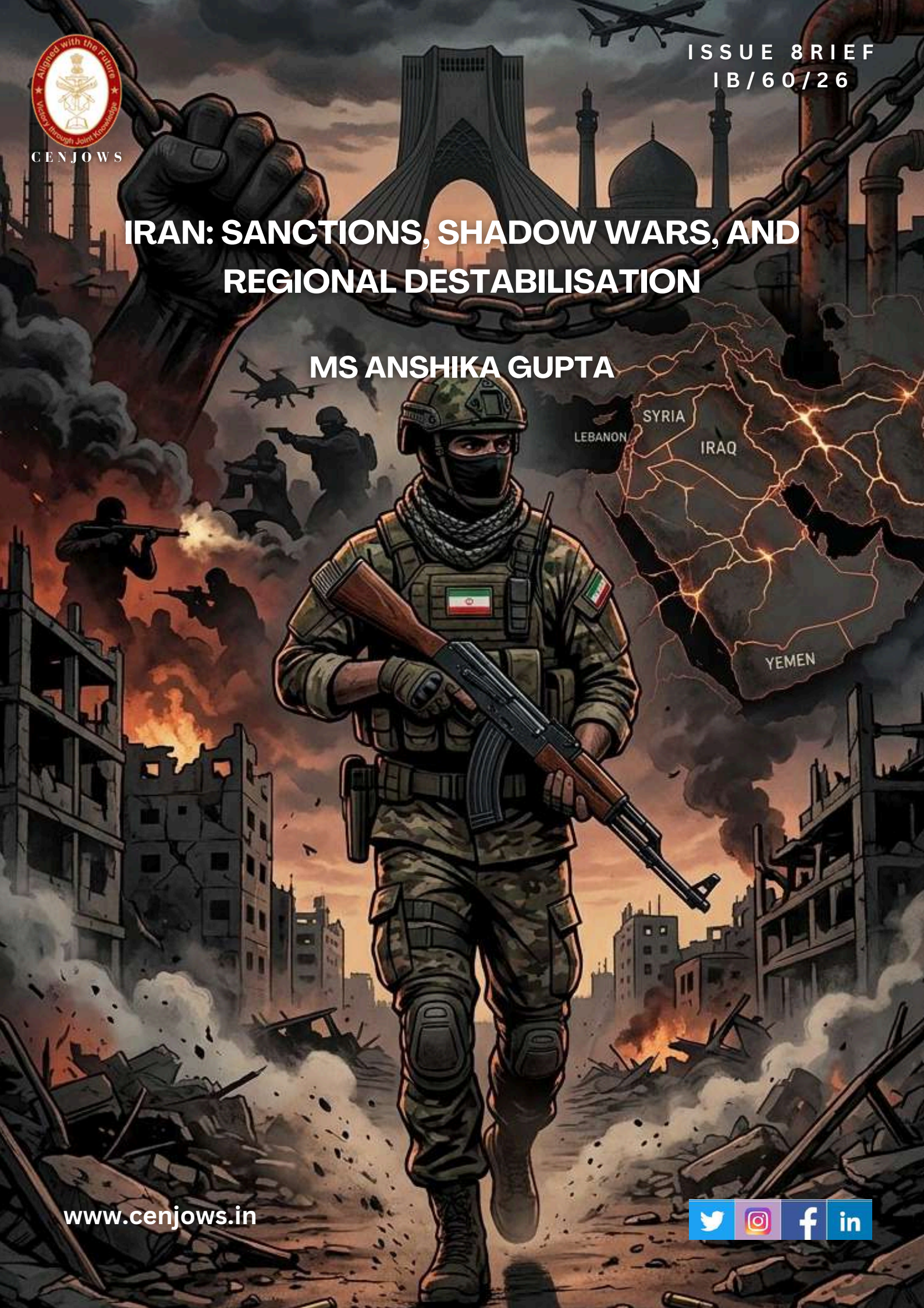


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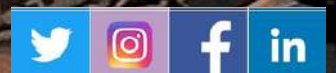
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IRAN: SANCTIONS, SHADOW WARS, AND REGIONAL DESTABILISATION

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Iran: Sanctions, Shadow Wars, and Regional Destabilisation



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Abstract

This chapter examines the architecture of United States economic war against Iran and the cascading geopolitical consequences that have fundamentally reshaped West Asia. It traces the evolution of U.S.-Iran hostility from the 1979 Islamic Revolution through the maximum pressure campaigns of the Trump administration, the assassination of Islamic Revolutionary Guard Corps (IRGC)-Quds Force Commander General Qassem Soleimani in January 2020, and the degradation of Iran's regional proxy network in the aftermath of the October 7, 2023 Hamas attacks and subsequent Israeli military operations. The chapter argues that while U.S. sanctions and covert operations have significantly constrained Iran's strategic capacity, they have simultaneously created a volatile regional environment with direct consequences for India's security and connectivity interests. India's strategic response is marked by the principles of strategic autonomy that has been tested severely by the Chabahar dilemma, the International North-South Transport Corridor (INSTC) calculus, and the broader challenge of balancing its growing partnership with Washington against its long-standing civilisational and economic ties with Tehran. The analysis concludes that India must pursue calibrated

diplomatic engagement to protect its core strategic interests in a region increasingly shaped by U.S. unilateral action.

Introduction: The Architecture of U.S. Economic Warfare

The Islamic Republic of Iran has been the subject of the most comprehensive and sustained programme of economic coercion in the post-Cold War international order. Since the Iranian Revolution of 1979, the United States has systematically employed an expanding toolkit of unilateral and multilateral sanctions, covert cyber operations, targeted killings, and proxy containment strategies in an effort to alter the behaviour of the Iranian state. The cumulative effect of this decades-long campaign has not merely been bilateral in its consequences; it has fundamentally reordered the geopolitical landscape of West Asia, generating ripple effects that extend to South Asia and directly impinge upon India's core strategic interests.

The U.S. sanctions architecture against Iran has evolved through successive administrations. The United States government designated Iran as a state sponsor of acts of international terrorism in 1984, imposed an embargo on U.S. trade with and investment in Iran in 1995, and enacted the first secondary sanctions targeting third-country firms investing in Iran's energy sector in 1996.¹ The layered accumulation of these instruments transformed Iran from a diplomatically isolated nation into an economy operating in parallel to the dollar-denominated global financial system, a development with profound implications for regional stability and for middle powers such as India that maintained economic relationships with Tehran.

The 2015 Joint Comprehensive Plan of Action (JCPOA) represented a momentary diplomatic breakthrough, wherein Iran agreed to limit its nuclear activities in exchange for significant relief from U.S. and international sanctions, enabling Iran's economy to return to growth.² However, the Trump administration's withdrawal from the JCPOA on 8 May 2018 and the reimposition of all previously waived sanctions commenced the 'maximum pressure' campaign, a policy explicitly designed to drive Iran's oil exports to zero and compel Tehran to negotiate a more comprehensive agreement addressing its nuclear programme, ballistic missile capabilities, and regional proxy activities.³ The maximum pressure paradigm was not merely an economic instrument; it was an integrated strategy that combined financial warfare with covert operations, diplomatic

isolation, and military deterrence, the full ramifications of which continue to reverberate across West Asia.

For India, a nation that imports approximately 88 per cent of its crude oil requirements and has cultivated carefully balanced relationships across the volatile West Asian region, U.S. sanctions policy towards Iran represents far more than a bilateral dispute between Washington and Tehran.⁴ It constitutes a structural constraint on India's strategic autonomy, a challenge to its connectivity ambitions, and a test of its capacity to navigate competing great power interests in a region of vital national concern.

The Maximum Pressure Campaigns: Economic Warfare as Geopolitical Instrument

The concept of 'maximum pressure' as articulated by the first and second Trump administrations represents the most expansive application of U.S. economic statecraft in the post-Cold War era. Upon withdrawing from the JCPOA, then-Secretary of State Mike Pompeo enumerated twelve demands that Iran would be required to meet before sanctions relief could be considered, a list that included cessation of uranium enrichment, termination of ballistic missile development, full withdrawal from Syria, and an end to support for proxy forces across the region.⁵ Iran's leaders rejected these demands comprehensively, and the Islamic Republic responded with a counter-escalation that deepened regional instability.

The economic consequences were severe. U.S. sanctions caused Iran's oil exports to collapse from approximately 2.5 million barrels per day in 2018 to under 300,000 barrels per day by 2019, precipitating a sharp recession and a significant depreciation of the Iranian rial.⁶ The sanctions also severed Iran's access to the Society for Worldwide Interbank Financial Telecommunication (SWIFT) messaging system for designated Iranian financial institutions, effectively disconnecting Iran from the mainstream international financial architecture. Critically, U.S. secondary sanctions, which impose penalties on third-country entities that maintain prescribed economic relationships with Iran, created a chilling effect on global commerce with Tehran that extended well beyond U.S. borders, directly constraining India's economic engagement.

The Obama administration had previously demonstrated the coercive potential of secondary sanctions; it was these instruments that compelled Iran to engage in the JCPOA negotiations in the first place.⁷ Under President Trump's first term, this instrument

was wielded with unprecedented breadth. Iran's response to renewed maximum pressure after 2018 was to intensify its regional military operations. Tehran began exceeding JCPOA-mandated limits on its nuclear activities from 2019 onwards, as independently verified by the International Atomic Energy Agency (IAEA), while simultaneously authorising its network of regional proxies to escalate operations against U.S. forces and allied interests.⁸ The confluence of economic warfare and proxy escalation thus created a deeply unstable regional environment, one in which covert operations and targeted assassinations would become central instruments of U.S. strategy.

President Trump's second administration, inaugurated in January 2025, moved swiftly to reinstate maximum pressure. On 4 February 2025, a National Security Presidential Memorandum directed 'a robust and continual sanctions enforcement campaign...that denied the regime and its terror proxies access to revenue'.⁹ This second-term iteration of maximum pressure has proven particularly consequential for India, as it has systematically dismantled the limited carve-outs and waivers that had permitted New Delhi to maintain minimal economic engagement with Tehran while preserving its strategic relationship with Washington.

Shadow Wars and Covert Operations: The Soleimani Assassination and Its Aftermath

The assassination of General Qassem Soleimani, Commander of the IRGC Quds Force, on 3 January 2020 at Baghdad International Airport by a U.S. drone strike represented a qualitative escalation in the shadow war between Washington and Tehran. Soleimani had served as the principal architect of Iran's regional strategy since the late 1990s, directing military operations and cultivating the network of non-state proxies that constituted Iran's strategic depth. Through the Quds Force, he maintained robust operational relationships with Hezbollah in Lebanon, al-Assad's forces in Syria, Shi'a militia groups in Iraq, and Houthi fighters in Yemen, leveraging the anarchic conditions of the post-2003 Middle East to extend Iranian influence.¹⁰

The Trump administration justified the strike by invoking Article 51 of the UN Charter, asserting anticipatory self-defence against what it characterised as Soleimani's imminent plans for attacks on U.S. personnel and interests. However, Secretary of State Pompeo subsequently acknowledged that U.S. authorities did not know precisely 'when and

where' the threatened attacks were to materialise, undermining the legal basis of the imminence claim.¹¹ Legal scholars have broadly assessed the strike as unlawful under jus ad bellum, the body of international law governing the resort to force, given that the United States could not identify a specific armed attack warranting the invocation of self-defence rights and that the accumulation of events theory advanced to support the claim has not secured acceptance in mainstream international legal practice.¹² UN Special Rapporteur Agnès Callamard concluded in her report that the purpose of the operation appeared to be deterrence rather than defence against an imminent armed attack, since the specific incidents cited by the United States had already concluded.¹³

Beyond the legal controversies, the assassination produced three categories of strategic consequences of direct relevance to India's security environment. First, it escalated tensions across a region already destabilised by years of proxy conflict, violating Iraqi sovereignty and triggering Iran's retaliatory ballistic missile strikes against U.S. forces at Ain al-Assad airbase in Iraq.¹⁴ Second, it removed a stabilising figure within Iran's proxy management structure, however destructive Soleimani's activities had been; his strategic discipline had prevented many proxy groups from escalating beyond prescribed thresholds. His absence contributed to fragmentation within the 'Axis of Resistance'. Third, and most significantly for long-term regional dynamics, the assassination consolidated domestic political consensus in Tehran around confrontational postures, making diplomatic re-engagement significantly more complex.

The broader pattern of U.S. covert operations in the region has included cyber warfare, most notably the Stuxnet attack, widely attributed to a U.S.-Israeli joint operation, which destroyed significant portions of Iran's uranium enrichment centrifuge capacity at Natanz as well as targeted assassinations of Iranian nuclear scientists and covert support for groups opposing the Iranian government. These shadow war activities have reinforced Tehran's determination to develop asymmetric deterrence capabilities through its proxy network, a strategic logic that has proven deeply consequential for regional stability and for India's interests in the Persian Gulf.

Iran's Proxy Network and Regional Destabilisation

Iran's strategy of employing non-state proxies as instruments of statecraft represents one of the most consequential developments in post-Cold War regional security. By

cultivating and sustaining a network of armed non-state actors throughout West Asia, including Hezbollah in Lebanon, Hamas and Palestinian Islamic Jihad in Gaza, the Houthis (Ansar Allah) in Yemen, and multiple Shi'a militia groups embedded within Iraq's Popular Mobilisation Forces (PMF), Iran has constructed a system of strategic depth that enables power projection at relatively low direct cost while maintaining plausible deniability.¹⁵

The financial architecture of this network has been substantial. Estimates suggest that Iran has historically spent between one and two billion U.S. dollars annually on proxy group support across the region: Hezbollah alone has received an estimated 700 million to one billion dollars per year, while the Houthis have received approximately 100 to 200 million dollars in direct transfers, in addition to weapons systems, training, and intelligence support.¹⁶ Sanctions, far from eliminating this support, have paradoxically intensified Iran's reliance on proxy groups as cost-effective instruments of regional leverage since they offer strategic effect at lower direct military expenditure than conventional force projection.¹⁷

The October 7, 2023, Hamas attacks on Israel and the subsequent Israeli military campaign in Gaza fundamentally altered the architecture of Iran's proxy network. The multi-front confrontation that Hamas sought to trigger with pressure applied from Lebanon by Hezbollah, from Yemen by the Houthis, and from Iraq by Iran-backed militias ultimately produced consequences that significantly weakened key components of the Axis of Resistance. Israeli and U.S. military operations, combined with intelligence and cyber tools, produced cumulative effects that degraded Iran's regional position considerably.¹⁸ The fall of the Bashar al-Assad regime in Syria in December 2024 eliminated Iran's only state ally and severed the overland corridor through which weapons and supplies had reached Hezbollah in Lebanon. Israeli military operations inflicted severe losses on Hezbollah's leadership structure and degraded its arsenal substantially.

Nevertheless, the Houthi movement in Yemen, which controls large portions of Yemeni territory and has demonstrated the capacity to strike targets across the Arabian Peninsula and into the Red Sea shipping lanes, has emerged as the most active remaining component of the Axis of Resistance. Houthi attacks on Red Sea commercial shipping that began in November 2023, ostensibly in solidarity with Palestinian civilians, disrupted approximately 15 per cent of global trade that had previously transited via the Suez

Canal, generating substantial increases in shipping costs and transit times.¹⁹ For India, which relies heavily on the Red Sea-Suez route for its trade with Europe and the United States, these disruptions have constituted a direct economic cost, illustrating how Iran's proxy activities, operating as a downstream consequence of U.S.-Iran rivalry, impose real burdens on third parties like New Delhi that have no direct stake in the conflict.

The Iranian and Houthi assault on Red Sea shipping routes has consequently elevated pressure on India's maritime trade infrastructure. The re-routing of Indian commercial vessels around the Cape of Good Hope in response to Houthi threats has added weeks to transit times and significantly increased freight costs, affecting India's export competitiveness. This is a specific illustration of how the shadow wars between the United States and Iran create strategic ramifications that India must control while attempting to stay outside the main conflict framework.

India's Strategic Interests in Iran and West Asia

India and Iran have a complex connection based on geostrategic, economic, and civilisational factors that predate the current sanctions regime by centuries. In a number of intersecting fields, including energy security, connectivity, regional counterbalancing, and access to Central Asia and Afghanistan, the Islamic Republic holds a unique strategic relevance for New Delhi. Evaluating the costs that U.S. sanctions policy places on Indian strategic calculations requires an understanding of the nature of these interests.

From the standpoint of energy security, West Asia and Iran together provide over 60% of India's crude oil needs. Iran was one of India's main suppliers of crude oil between 2006–07 and 2018–19, making up about 13% of all imports. This relationship's importance went beyond business; India had created cutting-edge financial systems, such as the rupee-rial payment system via UCO Bank, which functioned independently of the dollar system and allowed for continued interaction even in times of sanctions pressure. As an example of the institutional learning that resulted from India's involvement with Iran, this financial cleverness was later applied when India wanted to enable oil purchases from Russia after the 2022 Ukrainian conflict.

India's connectivity ambitions are perhaps even more strategically significant. The International North-South Transport Corridor (INSTC), a 7,200-kilometre multimodal network of sea, rail, and road routes established through an intergovernmental

agreement signed by India, Russia, and Iran on 12 September 2000, represents India's most ambitious connectivity project in Eurasia.²⁰ The corridor offers India access to Russia, Central Asia, and potentially Europe through Iran, while bypassing Pakistan entirely. Functioning at full capacity, the INSTC is estimated to reduce transit time between India and Northern Europe by approximately 40 per cent and lower transportation costs by some 30 per cent compared to the traditional Suez Canal route.²¹ The corridor's eastern branch achieved a significant milestone in November 2025, when a freight train from Russia arrived in Iran through Central Asia, while Indian cargo has been transiting from Mundra Port in Gujarat to Central Asia via Iran's Bandar Abbas port since March 2025, indicating the corridor's growing operational momentum.²²

The Chabahar Port, located in Iran's Sistan-Balochistan province on the Gulf of Oman, constitutes the maritime anchor of India's INSTC ambitions and its broader connectivity strategy towards Afghanistan and Central Asia. New Delhi had proposed developing Chabahar as far back as 2003, specifically to provide Indian goods a gateway to reach landlocked Afghanistan and Central Asia through a route that circumvents Pakistani territory. India signed a 10-year contract with Iran in May 2024 through India Ports Global Limited (IPGL) to equip and operate the Shahid Beheshti Terminal, committing 120 million U.S. dollars in equipment procurement and an additional 250-million-dollar credit line for port-related infrastructure.²³ This was the first instance of India assuming the management of an overseas port, a landmark development in New Delhi's maritime and connectivity ambitions.

Beyond commercial connectivity, Chabahar carries substantial humanitarian and strategic weight. India has utilised the port to deliver 20,000 tonnes of wheat aid to Afghanistan in 2023 and medical supplies during the COVID-19 pandemic, demonstrating its utility as a humanitarian corridor that operates independently of Pakistani consent. The port also enables India to project strategic presence in the Indian Ocean Region's northwestern arc, countering Chinese influence that has expanded through the China-Pakistan Economic Corridor (CPEC) and Beijing's growing footprint in the Arabian Sea through the Gwadar port.

The Chabahar Dilemma: Strategic Autonomy Under Sanctions Pressure

The Chabahar dilemma encapsulates the central tension in India's Iran policy with particular clarity. Since the reimposition of U.S. sanctions in 2018 and the revocation of JCPOA-related waivers, India has been caught between its strategic imperative to develop Chabahar as a connectivity gateway and the legal and financial risks that engagement with Iran creates under the U.S. sanctions architecture.

From 2018 onward, India's Chabahar operations were sustained by a specific exemption issued under the Iran Freedom and Counter-Proliferation Act (IFCA), which exempted Chabahar-related activities from secondary sanctions exposure on grounds of Afghanistan reconstruction and economic development. When India signed the 10-year port management contract in May 2024, the Biden administration's State Department issued a public warning that entities doing business with Iran risked sanctions exposure, a signal of Washington's discomfort with the expanded engagement even as it refrained from revoking the existing waiver.²⁴

The sanctions situation deteriorated sharply in September 2025 when the Trump administration revoked the 2018 IFCA exemption, effective 29 September 2025, consistent with the administration's maximum pressure policy to isolate the Iranian regime.²⁵ The revocation created immediate legal exposure for India Ports Global Limited and associated entities, and IPGL directors resigned while the company's website was taken down in response to the mounting sanctions pressure. In a significant diplomatic concession, the United States subsequently granted India a conditional six-month waiver effective 29 October 2025, allowing continued operations until 26 April 2026.²⁶ However, the Union Budget 2026, presented on 1 February 2026, allocated zero funds for the Chabahar project, widely interpreted as a response to the deteriorating sanctions environment.²⁷

By April 2026, with the six-month waiver expiring and no replacement secured, India was reported to be exploring a temporary transfer of its operational stake in the Chabahar Free Zone entity to an Iranian counterpart, with provisions for reversion if sanctions were lifted or a new waiver secured.²⁸ This outcome, if confirmed, would represent a significant setback to India's connectivity ambitions and a demonstration of the structural constraints that U.S. sanctions impose on Indian strategic autonomy. The episode has exposed what

analysts have characterised as a fundamental tension: while India continues to invoke the language of strategic autonomy, its actual room for manoeuvre has been progressively narrowed by the combination of U.S. sanctions pressure and its expanding partnership with Washington in other domains.²⁹

The Chabahar situation illuminates a broader structural dilemma in India's foreign policy. In the post-2014 period, New Delhi's partnership with the United States has grown significantly in defence, technical, and economic aspects. This convergence has been fuelled by the Quad framework and common worries about China's rise. India has successfully used the diplomatic capital created by this growing alignment in some situations. In contrast to previous governments, particularly the Manmohan Singh administration, which created the rupee-rial payment mechanism to maintain Iran trade through the first wave of secondary sanctions, it has simultaneously decreased India's willingness to oppose U.S. coercive tools like sanctions. India has actual but underutilised leverage in these discussions.

The stakes are further increased by the INSTC dimension. Unrestricted Indian investment and port infrastructure operation are critical to Chabahar's sustainability as the INSTC's maritime terminal. In addition to being a business setback, a smaller Indian presence in Chabahar would limit India's capacity to provide Central Asian nations with an alternative connectivity architecture to China's Belt and Road Initiative, which the CPEC corridor represents for Pakistan. Thus, the geopolitical consequences of Chabahar's stalemate go far beyond the India-Iran bilateral relationship.

Balancing Defence Diplomacy: India Between Washington and Tehran

India's defence and security ties have changed in ways that complicate its Iran policy structurally. The progressive deepening of India's defence cooperation with the United States through the foundational agreements, including the Logistics Exchange Memorandum of Agreement (LEMOA), the Communications Compatibility and Security Agreement (COMCASA), and the Basic Exchange and Cooperation Agreement (BECA), has integrated India into an information-sharing and interoperability framework that is oriented toward managing Chinese power but has incidental implications for Washington's other strategic preoccupations, including Iran. Similarly, India's agreement with the United Arab Emirates on defence cooperation and its growing security

relationship with Israel are both anchored in shared concerns about Pakistani-sponsored terrorism and, in the UAE case, growing ties extending to the Abraham Accords framework, which places India in institutional proximity to states that are principal adversaries of Iran.

These relationships do not imply Indian complicity in U.S. covert operations against Iran or alignment with Israeli military campaigns in the region. India has consistently abstained from or voted against UN General Assembly resolutions that have positioned its interests against those of Iran, and New Delhi has maintained diplomatic contact with Tehran through the Foreign Office Consultations framework, the 19th round of which was held in New Delhi on 3 January 2025.³⁰ India's External Affairs Minister S. Jaishankar has articulated the concept of strategic autonomy as a guiding principle of Indian foreign policy, emphasising New Delhi's right to make independent decisions based on national interest rather than bloc affiliation.

Nevertheless, the practical application of strategic autonomy has been tested by the sequential imposition of U.S. pressure across multiple fronts. India ceased all crude oil imports from Iran in 2019 when the Trump administration declined to renew India's sanctions waiver, despite Iran having been India's second-largest oil supplier at approximately 16.5 per cent of the import basket.³¹ The subsequent pivot to Russian crude oil after 2022, facilitated by the same rupee-based trade mechanisms developed for Iran, initially proceeded under the cover of strategic autonomy claims but has itself attracted escalating U.S. pressure, including tariff threats and sanctions warnings.³² The pattern suggests a structural vulnerability: India's strategic autonomy, however philosophically coherent, is increasingly constrained by the convergence of U.S. sanctions pressure across Iran and Russia simultaneously, reducing New Delhi's ability to maintain the multi-directional energy relationships that its economic scale requires.

India's engagement with the West Asian balance of power requires particular attention to the Hormuz dimension. India imports close to 88 per cent of its crude oil, and any significant disruption to the Strait of Hormuz, through which a substantial portion of global energy flows, reverberates immediately through the Indian economy.³³ Iran's capacity to threaten Hormuz traffic as a deterrent against U.S. or Israeli military action creates a permanent risk premium that affects Indian energy costs. The sharp reduction in tanker traffic and increase in crude prices following regional escalations threatens to widen

India's already substantial energy import bill, while Houthi disruptions of Red Sea shipping impose additional costs through the alternative routing around the Cape of Good Hope.

India's response has characteristically been measured and calibrated: urging restraint from all sides, prioritising the protection of its nationals in conflict-affected areas, and maintaining diplomatic contacts with every actor involved. New Delhi has simultaneously cultivated relationships with Iran, the Gulf Cooperation Council states, Israel, and the United States, a diplomatic posture that has often been portrayed as inherently contradictory but which reflects the genuine complexity of India's strategic position in the region.³⁴ This approach has demonstrated enduring logic in stable periods but faces mounting strain when U.S.-Iran tensions approach kinetic confrontation, as competing demands for alignment become difficult to manage simultaneously.

Strategic Assessment and Policy Recommendations

The foregoing analysis yields several strategic insights relevant to India's security policy.

First, rather than being an anomaly that India can wish away through diplomatic engagement alone, the U.S. sanctions policy toward Iran is a structural aspect of the West Asian geopolitical environment that India must take into account as a given in its strategic calculations. Regardless of the outcome of the JCPOA, U.S. economic warfare against Iran will continue due to the bipartisan consensus in Washington that supports Iran's economic isolation and the legal foundation of secondary sanctions clauses. Thus, ongoing sanctions pressure must be taken into consideration as a prerequisite for India's strategic planning.

Second, India's INSTC aspirations and Chabahar investment are still strategically sound and merit ongoing diplomatic support. The current sanctions situation does not lessen the port's significance to India's connectivity architecture; on the contrary, China's ongoing growth of its influence through CPEC and Gwadar has increased it. Instead of depending on administratively revocable waivers that are subject to the preferences of each incoming administration, New Delhi should actively seek a permanent, legislatively grounded sanctions exemption for Chabahar that is comparable in scope and durability to the exemptions that successive U.S. administrations have granted for Afghanistan-related humanitarian activities. India has significant negotiating power because

Washington is strategically interested in India's connectivity presence in the area as a counterweight to China; New Delhi should take this into account more assertively.

Third, India's energy diversification plan must be implemented under the presumption that any reliance on a single source like Iran, Russia, or any other sanctioned supplier will eventually give the United States power. In addition to being energy policy imperatives, the development of domestic renewable energy capacity, the expansion of strategic petroleum reserves, and the diversification of crude oil supply relationships across multiple producing regions are national security requirements that would greatly lessen India's susceptibility to being forced to abandon relationships crucial to its strategic interests.

Fourth, India faces a challenging strategic environment due to the deterioration of Iran's proxy network after October 2023. From a limited security standpoint, it could seem advantageous that a weakened Iran is less able to threaten India's reliance on Red Sea shipping lanes and Gulf energy infrastructure. However, a drastically weakened Iran might hasten the emergence of an ungoverned space where radical non-state actors thrive, create humanitarian crises that destabilise the wider region, and eliminate a state actor that has traditionally acted as a check on some forms of Sunni extremism in Afghanistan, a nation that directly affects India's security. A stable, internationally active Iran functioning inside a rules-based regional framework is more beneficial to India's interests than Iran's strategic collapse.

Fifth, India needs to create stronger institutional frameworks for monitoring and controlling how the antagonism between the United States and Iran affects its own security situation. Indian trade suffered quantifiable losses as a result of the Houthi disruption of Red Sea shipping lines, which was a direct downstream effect of the dynamics of the Iran-Israel-US confrontation. India had no significant influence over the decisions that led to these results. New Delhi would be better equipped to defend its interests when maritime spillovers from West Asian conflicts result from increased investment in regional multilateral forums, such as active participation in Gulf Cooperation Council mechanisms and the creation of India's own maritime security architecture in the Northwestern Indian Ocean.

Conclusion

The Iran chapter in U.S. interventionism in West Asia illustrates with particular clarity the way in which great power rivalries impose structural constraints on middle powers that have not chosen to be party to the conflict. The cumulative impact of U.S. sanctions regimes, covert actions, such as the killing of Soleimani, and the ensuing escalating dynamics that have brought Iran's proxy network into physical combat throughout the region have substantially transformed India's strategic environment. The process by which American economic warfare creates strategic costs for third parties is best shown by the Chabahar problem, a tangible, urgent, and economically significant result of U.S. sanctions policy.

The concept of strategic autonomy, which accurately recognises India's national interest in upholding an autonomous foreign policy that is not subject to the preferences of any external power, has served as the foundation for India's response. However, this idea has not always been applied consistently in practice. The rupee-rial payment mechanism is a prime example of how earlier Indian governments showed a willingness to create institutional workarounds to U.S. sanctions pressure. However, more recent years have seen a pattern where India's appetite for conflict on Iran-related issues has decreased due to the strengthening U.S.-India partnership in other areas. India must build the institutional capacity, diplomatic clout, and domestic political consensus required to defend its fundamental interests in Iran, even if doing so causes conflict with Washington, in order to restore the full content of strategic autonomy as a policy orientation that is operationally meaningful, not just rhetorically asserted.

West Asia's geopolitical environment is undergoing a significant change. Iran's regional influence has been significantly degraded, but the underlying drivers of instability like sectarian competition, ungoverned spaces, competition for energy resources, and great power rivalry remain fully intact. India's security interests are best served by an active, principled, and diplomatically sophisticated engagement with this evolving environment: one that seeks to shape outcomes rather than merely adapt to them; that leverages India's unique position as a nation with relationships across all major regional actors; and that maintains the strategic depth, including a viable Chabahar presence, which is necessary to remain a consequential player in West Asia's geopolitical future.

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