1. INTRODUCTION

United States President recently signed an executive order that will withdraw the U.S. from the Iran Nuclear Deal. India could experience major problems in terms of oil imports. From various research papers there are possibilities of both negative and neutral effects on India. An economic sanction can cause major harm both directly and indirectly to a country. There is an extensive need of the study to ascertain the implications of sanction on India. Sanctions might turn bad for India’s oil trade with Iran. Objective of the study is to analyse the nature of impact on India due to U.S. sanctions on Iran. Research is completely on secondary data available on public platform. Analysis has been done based on the statistics available on the terms of the pre-sanction data i.e. the current scenario. By the analysis we can draw the conclusion that there will be a considerable amount of negative impact on India’s oil trade with Iran.
other Iranian financial institutions, on the provision of certain financial messaging services to Iran's central bank and other Iranian financial institutions, on the provision of underwriting services, insurance, or reinsurance, and on Iran's energy sector.

(Indian Express, 2018) quoted that India could be affected by the US sanctions on Iran. India is one of the largest importers of Oil from Iran and due to the sanctions the world Oil prices may go up and it could directly lead to the inflation. India had planned to double its import after the Iranian President’s visit to India earlier this year so the sanctions might stall the government’s decision. India is developing Chahabar port to circumvent Pakistan’s block on trade with Afghanistan (Hindustantimes, 2018). A whopping $500 million is the amount that is planned to be invested on the Chahabar port. Due to sanctions this particular might get delayed or expensive or unviable, by (The Hindu, 2018).

India has been a founding member of International North South Transport Corridor (INSTC). This is an initiative to reduce the trade time by 30% (Suhasini Haidar, The Hindu, 2018). This is a multibillion dollar project with several Asian countries participating with India being one of them. US sanctions might stop this project immediately.

(Worldbulletin, 2018) India now is a member Shanghai Cooperation organisation (SCO). SCO had planned to include Iran in the Eurasian Security Organisation, if this happens India will be portrayed as anti-American and this will run counter on other initiatives being the Indo-Pacific Quadrilateral between America, Australia and Japan. The move may rile other Indian advisories such as Saudi Arabia, UAE and Israel. (DNA, 2018) said that this trade war could trigger manually assured economic destruction, which is not good for global growth, now on a revival mode after years of global recession. The US has already threatened to impose sanctions on India, and any stepping up of trade with Iran will make the situation worse for India. Retaliatory action by US president might be severe even after the relationship between India and US is improving over the years.

India has said that it’ll continue to trade with Iran and Venezuela despite the sanction as India will only adhere to sanctions by UN and not country-wise sanctions. This doesn’t make situation any better for India with the trade war becoming full blown. Indian exporters have started making and getting payments in euros as they’ll not be caught off-guard when dollar payments become virtually impossible once the sanctions are completely imposed..

2. REVIEW OF LITERATURE

[1] According to “The impact of economic sanctions” report published by (World Finance, 2017), economic sanctions have a limited impact on the targeted country as the longer sanctions are in place, the less likely they are to be effective, as targeted states tend to adapt to their new economic circumstances instead of changing their behaviour.

[2] Stolper-Samuelson theorem, when sanctions are imposed on imports, it favours the factor used intensively in the import- competing sector as domestic demand for domestic productions of importable increases.

[3] As per “Economic Sanctions” by Brookings, sanctions alone are unlikely to achieve desired results if the aims are large or time is short. It even states that sanctions can on
occasion achieve various foreign policy goals ranging from the modest to the fairly significant. Trying to compel others to join a sanction effort by threatening secondary sanctions against third parties unwilling to sanction the target can cause severe harm to the state imposing sanctions.

[4] Hufbaur and Schott (1985) argue that economic sanctions will not significantly help to achieve the objectives of foreign policies leading to the sanctions. They believe that the fulfilment of those objectives is likely to occur only in special cases, such as the time when the country under the sanctions or the goal of the policies is mild.

[5] Using a General Theoretical Equilibrium model, Dollery (1993) showed that trade and financial sanctions designated have a negative effect on the welfare of a small countries. According to this study, the main burden of financial sanctions is on capital-intensive import sectors. In contrast, the main burden of trade sanctions is against labour-intensive export sectors.

[6] Using the gravity model employed in the study by Hufbaur and Schott, Devarjan and Mottaghi (2015) investigated the effects of sanctions imposed on Iran’s trade with major trading partners. According to the results, with sanctions being imposed, Iran’s export revenue was decreased by 17.1 billion dollars.

[7] Bigdeli, Gholami and Boldaji (2013) conducted a study using the gravity model and taking certain trading partner into account. They estimated the effect of economic sanctions imposed on Iran during 1973-2007. According to the results of this study, the negative impact of sanctions was 0.08 and the sanctions imposed against Iran had a small and negligible impact on bilateral trade with partners.

[8] Hufbauer, Schott and Elliott argue that economic sanctions have only a very limited capacity to serve their intended objectives. They state that their track record is poor. To the extent that they work, the time span for the actual impact is very short.

3. NEED FOR THE STUDY

There are a numerous significant need for the study on U.S. Sanctions on Iran and its impact on India and trading partner countries. The main reason being there is no study on the implication of U.S Sanctions (on Iran) on India. There is a strong reason to study to know the state of Oil in India due to sanctions.

4. STATEMENT OF PROBLEM

Due to sanctions on Iran there will be a lot of implications on trading partners. This will be a study to find the implications of U.S sanctions on Iran and its implication on India in general. Sanctions might turn bad for India’s oil trade with Iran and its strategic alliances.

5. OBJECTIVES OF THE STUDY

The main objective of the study is to figure out the implications of U.S sanctions on Iran and its implications on India.

Following are objectives of the study:

[1] To analyse the important aspects harming India’s trade with Iran.
[2] To find the implications of sanctions on Oil trade.
[3] To chalk out the impact of sanctions on trading partners’ relationship with Iran.

6. RESEARCH METHODOLOGY
This research study is basic research based on secondary data which was collected from various sources. Data was collected from websites, journals, newspaper articles, magazines and books. Based on the statistics, analysis has been done.

7. DATA ANALYSIS AND INTERPRETATION
The uncertainty around this sanction resulted in crude oil surpassing the $78 per barrel-mark. With the surge in crude, stocks of oil companies in India took a knock. Sequential reduction of imports from Iran cannot be ruled out and a certain portion of oil imports would possibly flow to other countries. This will increase India’s import expenditure as Iran is providing substantial discounts on crude. This will be a possible increase in logistic costs for imports of crude from other countries and mainly from U.S.

![Graph of Oil imports from Iran as a percentage of Iran’s total production](image)

**Figure 1: Oil imports from Iran as a percentage of Iran’s total production**

*Source: BP, Moneycontrol research.*

Statistically, India is one of the largest importers of Oil from Iran with China. Both the countries involved are interdependent on each other. This is because of the relationship between India and Iran over the years.
Based on the statistics India is the second largest consumer of Oil from Iran. Iran may not be fully dependant but it is extensively dependant on oil from Iran. This might be because of Iran’s commitments with other nations or that India’s usage of oil is massive that entire India’s need is not getting exported. India even has a vibrant Import-export relationship with Iran. Commodities’ including gems and jewellery, pharma products, Nuclear reactors etc. gets imported to and from Iran.

8. CONCLUSION
By the above analysis we can state that Sanctions on Iran might not cause adverse effect on India but it will do a strong harm. This situation might force India to Import Oil from other countries that might just increase the transportation cost and this directly leads to increase in the prices of Oil. Due to the increase in prices the common man of India will suffer and this will directly lead to the breakdown of Government. Every other developmental activity in Iran will get stalled and that will affect both Iran and India financially. Trade of other commodities will be harder and that will leave a considerate impact on both the countries. India needs to find a strategically stronger way to curb the impact due to oil and trade of other commodities.

9. REFERENCES
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[10] https://casi.sas.upenn.edu/iit/chauhan
This is certified that the paper entitled

**U.S. Sanctions on Iran and its Impact on India**

Authored by

**Bharath M R**

Student, V Semester BBA, Centre for management Studies,
Jain University, Bengaluru- Karnataka (India)

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This is certified that the paper entitled

U.S. Sanctions on Iran and its Impact on India

Authored by

Rajiv Chinmayi N C

Student, V Semester BBA, Centre for management Studies,
Jain University, Bengaluru- Karnataka (India)

has been accepted & published online in IJIFR continuous 61st edition


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Authored by

Vilas K H

Student, V Semester BBA, Centre for management Studies,
Jain University, Bengaluru- Karnataka (India)

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**U.S. Sanctions on Iran and its Impact on India**

Authored by

**Dr. Varsha Agarwal**

Assistant Professor, Centre for Management Studies,
Jain University, Bengaluru- Karnataka (India)

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