

# INDIA'S CHABAHAR DILEMMA

Relevant for: International Relations | Topic: India - Middle East

## [More from the author](#)

India has been a key stakeholder in the development of Iran's strategic port of Chabahar. A landmark India-Afghanistan-Iran trilateral agreement on Establishment of International Transport and Transit Corridor was signed during Prime Minister Narendra Modi's visit to Tehran in May 2016. Many important steps have since been taken to speed up the development of the port and realise its full potential. However, growing United States (US)-Iran confrontation and imposition of harsh economic sanctions by the US on Iran under its "maximum pressure" policy has adversely affected New Delhi's desire to convert its commitments into concrete actions on ground. In the light of the emerging debate in Indian academic and media circles about India's Chabahar dilemma, it is important to analyse India's advances as well as challenges in implementing the port project.

Chabahar is considered to be of great strategic value to India.<sup>1</sup> It not only provides access to Afghanistan but is also a part of the International North-South Transport Corridor (INSTC), linking India to Eurasia. To improve regional connectivity with South-West and Central Asia, the lease contract for two terminals and five berths at the Shahid Beheshti Port in Chabahar was signed in 2016 between Iran's Ports and Maritime Organisation (PMO) and Indian Ports Global Limited (IPGL), according to which India got the right to take over the operations of the port for 18 months. Phase-I of the Shahid Beheshti Port was inaugurated in early December 2017 by Iranian President Hassan Rouhani, opening a new strategic route that connected India, Iran and Afghanistan bypassing Pakistan. In this context, a major achievement for India came in the form of operationalisation of the Chabahar Port in December 2018.

Bilateral relations between the two countries gained new momentum when President Rouhani visited India in February 2018. This was the first visit by an Iranian President to India in 10 years. It was soon followed by the visit of Iranian Foreign Minister Mohammad Javad Zarif to New Delhi in May 2018. India sent its first consignment of wheat to Afghanistan in October 2017 through Chabahar. In early February 2019, Afghanistan started exporting goods to India using the port. In November 2019, the Afghan Ambassador to Iran announced that Afghanistan was planning to expand its economic ties by increasing exports and imports through the Chabahar Port.<sup>2</sup>

It is said that Iran is planning to increase the capacity of the Chabahar Port from the current 2.5 million tonnes to 8.5 million tonnes. The Central Bank of Iran (CBI) has also given approval to Afghanistan's Ghazanfar Bank to open a branch at the port.<sup>3</sup> Meanwhile, India has doubled its allocated funding to reach nearly US\$ 14 million for the development of the port in its national budget bill for 2020.<sup>4</sup> India's commitment to accelerating the development of the port was renewed during the visit of Indian Foreign Minister S. Jaishankar in December 2019. The volume and transit of shipments through the port have increased significantly since 2018. The port has handled 82 vessels, 12 lakh tonnes of bulk cargo and 8, 200 containers since December 2018.<sup>5</sup>

In addition to developing the Chabahar Port, India and Iran had also agreed to develop the 628-km long Chabahar-Zahedan railway line which was to be executed by the Indian Railways Construction (IRCON) Limited, with a financial commitment of around US\$ 1.6 billion. India's commitment was based on the Memorandum of Understanding (MoU) signed between IRCON and Construction, Development of Transport and Infrastructure Company (CDTIC) of Iran in May 2016.<sup>6</sup>

Despite India's continued commitment towards the Chabahar Port project and the latter's exemption from the US sanctions, progress in realising the full potential of the port and related commitments by New Delhi has been slow. This can be attributed to myriad factors: harsher sanctions by the US since 2018; technical and bureaucratic issues on both Iranian and Indian sides; apprehensions on part of the private sector to invest in Iran; and finally, the spread of the COVID-19 pandemic.

Two recent developments have brought the India-Iran relations under public scrutiny. In mid-July, a report appeared in media stating that Iran has dropped India from the Chabahar-Zahedan railway line project.<sup>7</sup> A few days later, Iran denied the claim that India has been dropped from the railway project, stating that "vested interests" were behind recent reports. On July 20, 2020, the Indian Ambassador to Iran, Gaddam Dharmendra, was invited by the Iranian Deputy Minister of Roads and Managing Director of the Iran Railways, Saeed Rasouli, to review the ongoing co-operation on the Chabahar-Zahedan railway project.<sup>8</sup> According to an Iranian official, it was expected that, in addition to investment in Chabahar port, India could also play a more crucial role in funding and constructing this strategic transit route from Chabahar to Zahedan, and from Zahedan to Sarakhs at the border with Turkmenistan, which in the absence of active Indian engagement and partnership is currently under construction by Iranian funding and engineering capacities.<sup>9</sup>

On July 7, 2020, Iran began the track-laying operations for the Chabahar-Zahedan railroad, which is planned to be completed by March 2022. Its short-term economic goal is estimated to be the transportation of 927,000 passengers and 2.8 million tonnes of cargo by March 2022.<sup>10</sup> It was further noted by the Iranian official that as far as the Chabahar Port is concerned, Iran has always been committed to its common vision and partnership with India to develop it.<sup>11</sup>

Terming the media reports as "speculative", the Indian Ministry of External Affairs (MEA) Spokesperson, Anurag Srivastava, in his weekly media briefing held on July 20, stated:

Insofar as the proposed [Chabahar-Zahedan] railway line is concerned, IRCON was appointed by Government of India to assess the feasibility of the project. It was working with CDTIC, an Iranian company under their Ministry of Railways in that regard. IRCON has completed the site inspection and review of the feasibility report. Detailed discussions were thereafter held on other relevant aspects of the project, which had to take into account the financial challenges that Iran was facing. In December 2019, these issues were reviewed in detail at the 19th India-Iran Joint Commission Meeting in Tehran. *The Iranian side was to nominate an authorized entity to finalize outstanding technical and financial issues. This is still awaited [emphasis added].*<sup>12</sup>

The second significant development was the Iranian approval of the much-hyped draft strategic partnership with China, whereby both countries propose to take their long-term partnership to a new level through the US\$ 400 billion agreement. It came at a time when Iran is struggling to mitigate the impact of the US sanctions and also when the US-China tensions are running high. On June 21, Iran's cabinet of ministers approved the final draft of the 25-year strategic partnership agreement with Beijing. According to President Rouhani, this agreement provides "a ground for Iran and China's participation in basic projects and development infrastructure, including the large 'Belt and Road' initiative (BRI), and an opportunity to attract investment in various economic fields, including industry, tourism, information technology and communication." He added that the agreement covers long-term cooperation in the field of energy as well as renewable energy, and joint investment in developing free zones.<sup>13</sup>

China has been intensifying its political, military and economic ties with Iran and the Arab world. There is a view that if China gets a foothold in the development of the Chabahar Port—regarded by many in India as a counterbalance to the Gwadar Port in Pakistan, constructed and

run by China as part of the China-Pakistan Economic Corridor (CPEC)—it could shift the balance of power in China's favour in the Indian Ocean Region (IOR). Additionally, the emergence of an Iran-China-Pakistan-Russia grouping can be inimical to India's interests. Except for Russia, India has problematic relations with both Pakistan and China. The question that arises, therefore, is: should India be worried about a China-Iran agreement? For now, New Delhi need not read too much into this agreement. The projection of draft bilateral agreement with China at this point of time could be viewed as Tehran's signal to the US administration of its growing proximity with one of America's key adversaries.

It must be noted that the cooperation plan with China is yet to be finalised by the two countries and that its content would be published after it is finalised. Once the text of the agreement is approved by both countries, it would be presented to the Iranian Parliament for approval.[14](#)

Interestingly, the Chinese media and officials have been silent about this agreement. This silence could be attributed to China's strategy of making grand promises of investing billions of dollars but remaining non-committal when it comes to the actual materialisation of the offer. Furthermore, in the light of growing criticism from the international community related to the COVID-19 pandemic, for its aggressive role in the South China Sea and beyond, and its ongoing trade war with the US, Beijing's priority right now is to improve its image and address problematic relations with the US and the West rather than getting entangled in the Iran-US confrontation.

Amidst all these developments, Iranian Foreign Ministry spokesperson Mousavi emphasised Tehran's multi-vector policy in a tweet on July 25, 2020 stating: "Iran has a longstanding policy of maintaining balanced, friendly relations with all Eurasian and East/South Asian powers. Our potential long-term cooperation agreements with China and Russia, and our continued joint work with India in Chabahar prove this. We are determined to uphold this policy."[15](#) Such statements are a clear indication of Iran's desire to build ties with key Asian powers to mitigate the impact of sanctions.

What then does future hold for India-Iran relations and the Chabahar Port project? While Iran offers many opportunities in the area of energy, trade and connectivity, the present data on economic and energy ties do not appear very promising. India stopped oil imports from Iran after the US sanctions waivers expired in May 2019. Its imports dipped from \$13 billion in 2018-19 to nearly \$1.35 billion between April 2019 and January 2020. Similarly, its exports fell from \$3.5 billion in 2018-19 to \$2.80 billion during the same period of the current fiscal year.[16](#) Both countries have been trying hard to enhance cooperation in trade and connectivity.

In a recent interview to the *Tehran Times*, Indian Ambassador to Iran Gaddam Dharmendra said that every effort is being made to enhance trade ties between the two countries and that New Delhi and Tehran are also looking at the option of barter trade. Cooperation in new areas is also being discussed and explored. Similarly, many initiatives are being taken with regard to the development of the Chabahar Port project.[17](#)

Geographical proximity, the need for regional connectivity and economic integration, and common security challenges in Afghanistan and West and Central Asia demand close cooperation between India and Iran. India would continue to build its relations with Iran, separate from its bilateral ties with the US, the Gulf Cooperation Council (GCC) countries, and with Israel in the region.

For years, New Delhi has taken a cautious and balanced approach in dealing with Iran. However, statements by the Iranian leadership on India's internal matters such as revocation of Article 370, the new citizenship law and communal tensions do not augur well for taking bilateral

cooperation to a higher level.

The growing US-Iran confrontation, particularly the US sanctions on Iran, will continue to cast a shadow on India-Iran cooperation on the Chabahar project and overall bilateral ties. However, as major regional actors, New Delhi and Tehran will have to continue to explore ways to further strengthen their partnership by taking pragmatic steps based on their respective national interests.

*Views expressed are of the author and do not necessarily reflect the views of the Manohar Parrikar IDSA or of the Government of India.*

**END**

Downloaded from **crackIAS.com**

© **Zuccess App** by crackIAS.com

CrackIAS.com