



ISSUE BRIEF

No. 216

March 2020

Development of Port at Chabahar: Prospective Cog in India-Iran Relations

Ports have evolved to be not just a gateway for the passage of goods through ships but have also transformed to be vital players in the supply chain and foster regional development. A port provides a variety of economic opportunities as well as connectivity to interior land; serves as a platform of initiatives for innovation, enhancing social capital, community involvement, environmental protection, and a few more. However, some ports are important due to their strategic geographical location apart from the economic advantages afforded by them. One such is the Chabahar Port in Iran's Sistan-Balochistan province.¹

India's non-interventionist policy has been a key element in the country's deliberation with nations across the globe. This has assisted in convincing its concerns and framing policies accordingly. Concerning West Asia, India's major policies



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Key Points

- With an increase in proxy conflicts in West Asia (Middle East), India's concerns are surrounded not only on its oil trade but most importantly in its human resources working and residing there.
- In the past decade, India's strategic interest in West Asia also revolves around the development of the Chabahar port in Iran. India's history on the imbursement of funds on projects has been on a slower side and this on various reasons could also lead the host nation to invite other investors to the deal.
- The tripartite agreement between India, Iran, and Afghanistan signed in 2016 on the usage of Chabahar port emerged as a strategic opportunity for India's vision of connecting Afghanistan and Central Asia bypassing Pakistan.
- There are a few queries to be solved concerning the effort, contribution, and affordability from India on the Chabahar Port and along with this, the Iranian invitation to the Sino-Pak axis on the Port is a concern that has to be addressed.
- In recent times, there were quite a few deliberations between India and Iran on the Chabahar project and as expected the Indian government allocated INR 100 crore for the Chabahar project during the budget of 2020/21 as compared to INR 45 crore in 2019/20.

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would revolve around its huge diaspora of approximately more than eight million and the remittances that flow to the country; apart from this, oil and gas imports are crucial as well.² However, in recent years, India's strategic interest in the region also revolves around the development of Chabahar Port in the Gulf of Oman.

India is one of the largest consumers of crude oil across the globe with a booming oil demand growth.³ Interestingly, India has been the largest importer of oil from Iran after China.⁴ But this surge came to a standstill in May 2019 as the United States (US) reemployed sanctions on the purchase of Iranian crude oil which was followed up by months of proxy conflict causing a variety of geopolitical tensions in the region.⁵ However, amongst these tensions, the US waived the sanctions on the development of the Chabahar Port which was mainly observed at a time when they were in talks with the Taliban for a peace deal in Afghanistan.⁶

India's engagement with Iran comprises three components, namely, one, crude oil imports which are in standstill amidst the sanctions; two, the development of Chabahar Port and trade link to Afghanistan and Central Asia; three, cultural connect especially with a substantial Shia population in India.^{7,8} However, there are a few queries to be solved with regard to the effort, contribution and affordability from India on the Chabahar Port. Along with this, the Iranian invitation to the Sino-Pak axis on the Chabahar Port is a concern that has to be addressed.⁹

Significance of Chabahar Port

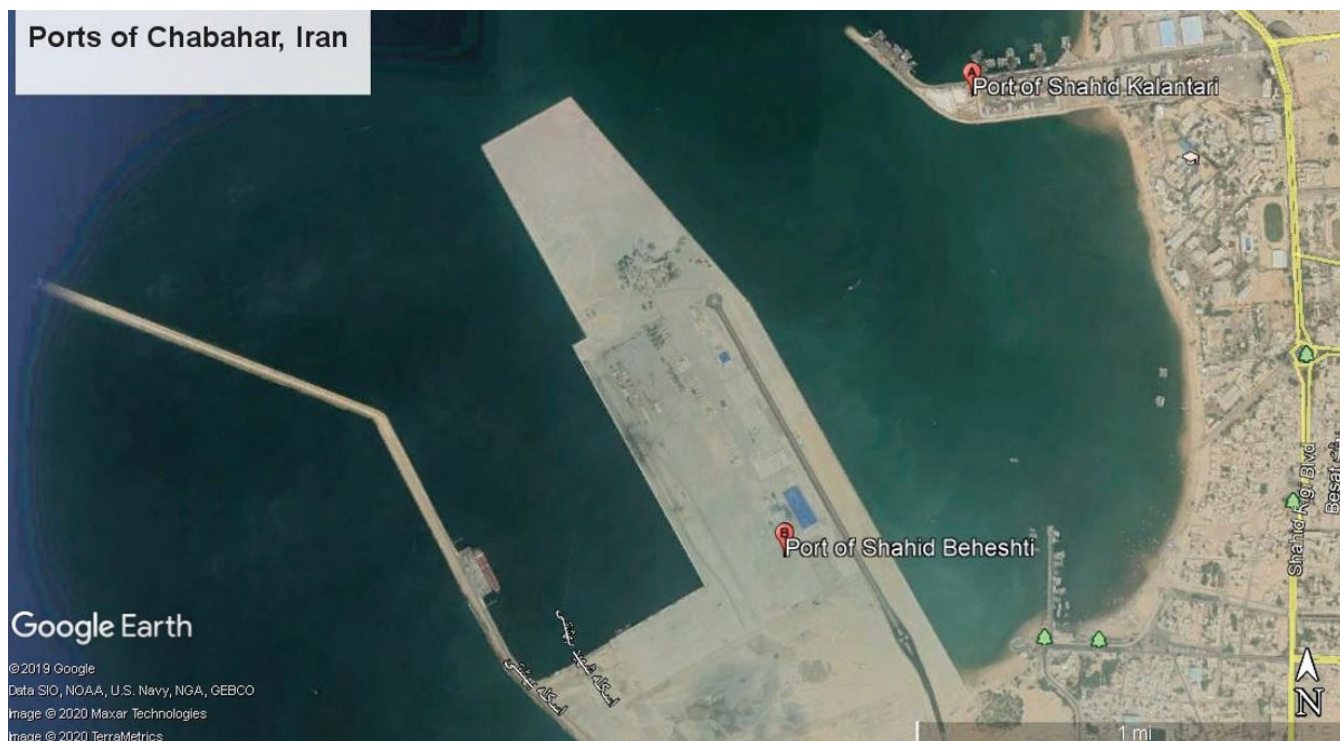
Chabahar, which in Persian means 'four springs', refers to 'springtime' throughout the four seasons of the year.¹⁰ The Chabahar Port is Iran's only deep-

sea port that has direct access to the Indian Ocean whilst the Port of Bandar Abbas which oversees Strait of Hormuz, has been their significant port concerning trade. The Chabahar Port consists of two different ports, namely, Port of Shahid Beheshti and Port of Shahid Kalantari, each having five berths respectively (**Map 1**). The Port in Sistan-Balochistan Province is situated just 76 nautical mile (nm) away from Pakistan's Gwadar Port and 172 nm from the Port of Muscat in Oman.¹¹ However, the Port came into limelight as a 'gateway port' in the 1970s during the Pahlavi Shah's rule in Iran.

Over the years, one of the most visible manifestations in India and Iran's bilateral relation would be the former's capitalisation of latter's geographical location in Chabahar Port, making it the most important factor after energy trade. India was interested in the Port since the 1990s; however, it was in 2003 that the New Delhi Declaration between India and Iran was signed, creating a strategic partnership which prioritised energy security.¹² The Declaration also witnessed the pact on the development and usage of Chabahar Port for India's future trade connectivity projects and linking the same to Afghanistan and Central Asia aiming at the regional development. The tripartite pact signed in 2016 between India, Iran, and Afghanistan is another push for the development of Chabahar Port and trade between these three countries.¹³ However, the first trade consignment took longer than a decade via the Chabahar Port, which is still under the primary stage of infrastructural development.

Considering the proximity of the Chabahar Port to the Kandla and Mumbai Port, which is 650 nm and 936 nm respectively, would reduce its freight cost and a frequent passage of ships would keep a check on the security in the Arabian Sea.¹⁴ Over the years, the trade between India and Afghanistan has not

Map 1: Port of Shahid Beheshti and Shahid Kalantari



Source: Google Earth Pro.

been smooth and the reason resides on the denial of passage by Pakistan via the only land route available.¹⁵ However, this impelled India either to airlift or ship their goods and vice versa. Airlifting would turn out to be very costly and, on the other hand, Afghanistan being a landlocked country does not have a sea port; a dilemma that struck India for long. However, the tripartite agreement on the usage of Chabahar Port emerged as a strategic opportunity for India's vision of connecting Afghanistan bypassing Pakistan.

Interestingly, the Chabahar Port is situated in the Sistan Balochistan province in South Eastern Iran, which neighbours the Balochistan Province where Gwadar is situated in Pakistan.¹⁶ Although, both the provinces are connected culturally, the Balochs in Pakistan are fighting against their government for a separate entity. India, making a ground in

Sistan-Balochistan province in the name of the development of Chabahar Port, would also help in observing the situation closely. However, this makes the Iranian port more strategic along with the transit it provides.

Developments on Chabahar Port

Ever since the International North South Transport Corridor (INSTC) was initiated by India, Russia, and Iran in September 2000, the transit was planned via Bandar Abbas Port.¹⁷ But over the years, the emergence of Chabahar Port and the New Delhi Declaration of 2003 paved way to a new transit route which would be used in the future. However, India's approach to the development of the Port has to be assessed carefully.

First, since 2003, India has been openly mentioning the importance of the Chabahar Port in bilateral meets and forums but has not made a proper investment until 2016. Second, India waited until the Chinese announced the Belt and Road Initiative (BRI) and China Pakistan Economic Corridor (CPEC) to take its step further for the Port's development. Third, Pakistan's denial of passage of goods from Afghanistan urged India to take an alternative route which ultimately led to the tripartite pact on the usage of the Chabahar Port for transit. But why was there delay in India's investment plans? Although a growing economy, India's history on the imbursement of funds on projects has been on a slower side and this, on various reasons, could also lead the host nation to invite other investors to the deal. Apart from this, the changing character of the US sanctions on Iran could also be a reason involved.

Moreover, India might have realised that if it delays the process, there are possibilities that the host nation might invite China or Pakistan to the Chabahar Free Trade Zone which had also happened in the meantime. Already various investors from Afghanistan, India, China, and other countries has been involved in the Chabahar Free Trade Zone, with an increasing rate of Chinese ones. Apart from this, lately Chinese research vessels have been moving in and around the Indian Ocean Region for the last few years, making India more vigilant in the Region.¹⁸ So, any opportunity that China sees in the western Indian Ocean would be seized and this indeed is a security threat for India. This insight might have been the motivation for India to be more concerned on the development of the strategic port. India had announced a hefty amount of US \$85 million for equipping the Port and a provision of credit worth approximately US \$150 million for the infrastructural prowess of the Port in 2016.¹⁹ However, India's enthusiastic

approach in 2016 was a start but as of 2019, the distribution and budget slash is not only due to the financial constraint but also due to the geo-political tensions in the region, although the US had waived its sanctions on the Chabahar Port.²⁰

With regard to the development of the Port, a statement made by V Muraleedharan, the Minister of State in the Ministry of External Affairs, during a question-hour session on the development of Chabahar Port in the Indian Parliament on July 24, 2019 is quoted next:

India is participating in the development of the first phase of Shahid Behesti Port in Chabahar in cooperation with the Government of Islamic Republic of Iran. The Indian company, India Ports Global Limited, has taken over Port operations in December 2018 and has been successfully handling cargo since then. The US has shown understanding of the importance of the Chabahar Port operations for continued humanitarian supplies to Afghanistan and to provide Afghanistan with economic alternatives. Afghanistan has also started using the Port facility. It has sent its first export consignment to India through Chabahar Port in February 2019. Subsequently, it has sent three more consignments to India through Chabahar Port in June 2019.²¹

Over the years, India has sent only a few consignments through the Chabahar Port and it has only reached the first phase of the construction.²² In the same manner, Iranian railways along with India's IRCON has made their progress in linking Chabahar Port to Zahedran, provincial capital bordering Afghanistan and then a railroad to Zaranj in Afghanistan furthering assisting in the trade link.²³ But even after constructing these, the allocation and utilisation of proper

resources for Chabahar Port has not been placed properly.

Table 1. Funds Distributed and Allocated by the Indian Government for the Development of Chabahar Port (2016-20)

Financial Year	Funds Allocated (in Rs Crore)	Funds Released (in Rs Crore)	Funds Utilised (in Rs Crore)
2016/17	100	100	0.0025
2017/18	NIL	NA	4.11
2018/19	150	Nil	1.36 (Until 30.09.2018)
2019/20	45*	NA	NA
2020/21	100**	NA	NA

Notes:

* The Amount has been officially announced by the Government of India during Union Budget 2019/20.

**The Amount has been officially announced by the Government of India during Union Budget 2020/21.

Source: Press Information Bureau, Ministry of Shipping, Government of India, available at <https://pib.gov.in/Pressreleaseshare.aspx?PRID=1558480>, accessed on 4 January, 2020.

Referring to **Table 1**, the Indian government allocated more than Rs 250 crore from 2016 to 2019 but only Rs 1.36 crore has been utilised till date. These figures flash the unproductive utilisation of funds of a project not decentralised properly. Despite knowing the geo-strategic location of the Chabahar Port, the Indian government in 2019 slashed the yearly allocation of the Chabahar project from Rs 150 crore to Rs 45 crore.^{24,25} However, just getting a special waiver for the Port development would not suffice as the US has not given waivers to those countries that provide India with material support.

Iran is concerned about the infrastructural developments connecting to Afghanistan and Central Asia as India has been in a difficult situation in the procurement of required equipments.

Quoting the present Iranian Foreign Minister Javad Zarif:

Chabahar Port is essential for Afghanistan and Central Asia. There are several problems and we made several advances on them. One of them is that our Parliament has recently approved the expansion of the free zone. The other issue is connecting Chabahar to Afghanistan and Central Asia through rail. We need to complete the Chabahar-Zahedan rail network. We have the infrastructure for that, but we need rails. We are in negotiation with India for providing rails. We produce our rails but not to the scale we need. So, Iran and India need to work together on the procurement of equipment for the port as well as finishing the rail link.²⁶

It would be a waste of time to wait for a positive nod from the US and instead the Indian government should seriously consider Indian companies and prioritise them to complete the rest phases in a given time, funds, and nature of infrastructural requirements. Amidst the various geo-political hindrances in the Persian Gulf, New Delhi and Tehran held talks during the last week of December 2019 wherein they have decided to boost up the infrastructural development at the Port and not to worry on India's budgetary slash.^{27, 28}

Recently, they have also decided to link the major Indian West Coast ports including Mangalore and Cochin to the project. With a lot of deliberations between the India and Iran in the latter half of 2019 on the Chabahar project, as expected the Indian government allocated Rs 100 crore for the Chabahar project during the budget of 2020/21.²⁹ This came at a time when India has been showing interest in the connectivity linking Iran, Afghanistan, and

Central Asia in the wake of Iran's growing nexus with China.³⁰

Conclusion

While the world has been witnessing various proxy conflicts within the Middle East region, India's concerns are surrounded not only on its oil trade but most importantly on its human resources working and residing there. However, amidst these tensions, the meet between the two respective foreign ministers of Iran and India during the eve of the New Year can be observed as a concern that the latter recognises regarding the regional stability as well as of the Chabahar project. During the same week, Iran conducted naval drills with China and Russia in the Gulf of Oman, which also reflected the Persian state's increasing bonhomie with the two technologically advanced military powers and especially with China.³¹ This might have provoked India to remind itself that it has not yet cemented its place for the development of the Port in a substantial way and that Iran might even offer it to China, who is also their largest oil importer, as it had in the past. This could also become a reality as China can afford and invest in projects like in the case of Khalifa Port in the United Arab Emirates.³²

Even though the Iranian government has given a positive nod to the current developments at Chabahar, India has to vehemently utilise its allocated funds and distribute it for the construction of the berths at the Port of Shahid Behesti in a limited timeframe. Due to the increasing tensions, there might be a delay but it is time that India takes this project seriously to the next phase. Moreover, this can also help to maintain its relations with Iran as oil was the main element of their relationship until the sanctions were put on. However, during the first week of New Year, the present Iranian

Ambassador to India, Dr. Ali Chegeni, reaffirmed that India and Iran would work closely on their shared interests and the project of Chabahar will continue as planned. Perhaps this project is the one which could change the fortunes of India's strategic culture as well as a binding force for further economic expansion in the extended neighbourhood.

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