

# Chabahar port; India's masterstroke; Impact on Iran, Afghanistan, Pakistan and China

## Chabahar port

### About Chabahar

- The port of Chabahar, located in south-eastern Iran in the Gulf of Oman, is the only Iranian port that has a direct access to the ocean.

### About the pact

- India will develop the Chabahar port and then operate it under India Ports Global. The 10-year contract is extendable. Phase one of the port construction has been completed.
- Also, state-run railway body IRCON International will set up a railway line at Chabahar so that goods can be moved right up to Afghanistan via the 500-km rail link between Chabahar and Zahedan that will also link Delhi to the rest of Iran's railway network.

### Why is it important?

- Chabahar is located in a free-trade zone.
  - It will bring down cost and time by 50 per cent for India in trade with Europe.
  - More importantly, it gives India a strategic advantage over Pakistan.
  - The port will allow India to circumvent Pakistan while transporting goods to Afghanistan via a sea-land route.
  - The International North-South Transport Corridor will also pick momentum because of this pact. The objective of this corridor is to increase trade connectivity between major cities of these countries, like Mumbai, Moscow, Tehran, Baku, and Astrakhan.
- Trading through Chabahar will not be economical for India, then why not trade with Afghanistan through Pakistan?
- A trade route through Pakistan into land-locked Afghanistan would have been the logical step considering the distance of just 990 kilometres between New Delhi and Kabul.
  - Land trade would have been time and cost effective.
  - The consignments will be dispatched through the sea route to Chabahar in Iran from where it will enter Afghanistan via a different land route – a total distance of 3,900 kilometres or more than thrice the all-land distance.
  - Pakistan borders Afghanistan to its south and east and has used its strategic location to have a controlling hand on Kabul in terms of trade.
  - Traditionally, Pakistan has been Afghanistan's biggest supplier of wheat but because of its geo-political positioning, managed to dictate pricing.
  - Both Afghanistan and India wanted to trade in wheat, but Pakistan refused to allow passage.
  - In fact, Pakistan repeatedly refused to allow land passage to Afghanistan through its territory each time India asked for it in the last 17 years.
  - So, in 2003, helping Iran develop the Chabahar Port emerged as a viable alternative even if it meant a longer route.
  - A historic trilateral agreement between India, Iran and Afghanistan was signed in May of

2016 – to make use of Chabahar Port for trade and transit into Central Asia and Europe.

- While most experts agree that it was a cornerstone in international trade, many also agree in the same breath that it was a diplomatic masterstroke.

### How will Iran benefit?

- Security, greater economic activity and trade with stable partners.
- Ever since the Iran-Iraq war in the early 1980s, Iran has been looking to reduce its dependence on ports in the Persian Gulf. Shifting eastwards has been widely seen as a logical step to ensure the security of trade routes and corridors. Chabahar, therefore, becomes vital for the country.
- Partnering India – one of the biggest Asian economies – also is in the best interest of Iran.
- The port becomes a starting point for several other collaborations. Trade with Russia – a key partner – can also be enhanced.
- This assumes even more significance because of Iran's frosty relations with the United States – making it look towards big economies for increased trade.

### How will Afghanistan benefit?

- Freedom from Pakistani trade shackles.
- Afghanistan understands the need to expand trade with India. In the past, thorny India-Pakistan relations have hampered Kabul and New Delhi from discussing direct trade.
- Still, India received 46 per cent of Afghan total exports in 2016 – worth USD 220 million. This figure may now rise at a rapid pace.
- And Chabahar not just opens up the country to competitively priced Indian consignments and more exports to India but would also open other South and South-East Asian markets for Afghan products. Trade with Bangladesh in particular, feel economic experts, can expand exponentially.



### Why is Pakistan concerned?

- When the Chabahar deal was made between Tehran and India in 2003, Pakistan didn't feel compelled to revisit the country's strategic location between India and Central Asia. It had turned away from the idea of Pak-India free trade and did not respond to India's award of Most Favoured Nation status in 1996.
- India-Afghanistan trade through Chabahar Port in Iran is a massive blow to Pakistani designs on a number of levels.
- The failure to revive Afghanistan-Pakistan Transit Trade Agreement (APTTA) so far has now come to haunt Islamabad.
- In the past, Pakistan has dictated terms to Afghanistan – compelling the latter to look elsewhere.
- Pakistan's exports to Afghanistan have come down from a record high of USD 2.4 billion in 2010-11 to USD 1.43bn in 2015-16. And it continues to be in freefall.
- Chabahar Port not just further erodes Pakistan's influence over Kabul but also makes its Gwadar Port – developed with Chinese help – rather irrelevant.
- Pakistan's former defence secretary, retired Lt-Gen Asif Yasin Malik said: "The alliance between India, Afghanistan and Iran is a security threat to Pakistan".
- Another retired Defence Secretary Lt-Gen Nadeem Lodhi said the existence of "such a formidable bloc" in the neighbourhood had "ominous and far-reaching implications" for Pakistan.
- This will take almost all the Afghan trade out of the Afghan Transit Route (which goes through Pakistan) and give it to Iran, changing the nature of Afghanistan's relations both with Pakistan and Iran.
- US Secretary of State Rex Tillerson, visiting New Delhi recently, assured India that even if America re-imposes sanctions on Iran in the coming days, it will exempt the Chabahar facility.

### China's view

- As far as China is concerned, it believes the CPEC would benefit by joining up with India, Afghanistan and Iran, three countries where China has also invested in a big way.
- There is no reason for "jealousy" in China about a milestone deal signed between India and Iran to develop the strategic Chabahar port as improvement of infrastructure in Central Asia will also provide opportunities for Chinese firms.
- As a key strategic location connecting East Asia, Southeast Asia and Central Asia, India can promote infrastructure development that will be conducive to economic development in the entire region.
- However, due to its geo-strategic importance for India the Chabahar port definitely raises some concerns in China.
- Iran's trade volume with India is a meagre \$9 billion, compared with its trade with China, which is a whopping \$52 billion.
- Chabahar helps India to break free from its strategic encirclement by China.
- It was important for China, too, as it already controls the Gwadar port and has also restored its presence in Colombo and Hambantota in Sri Lanka; Chabahar would have completed the circle nicely.

Overall, Chabahar Port opens a world of possibilities for India, Afghanistan and Iran. It is mostly agreed that it is a massive boon for trade operations and doubles up as a diplomatic one-two-three punch to Pakistan. For Pakistan on the other hand though, it slams shut prospects of greater trade with its neighbours.

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