

Why Chabahar port is a big deal for India, Iran



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OPINION

The borders of undivided India touched Afghanistan and Central Asia. This contiguity was lost with Partition. While it is difficult to redraw the map, Chabahar port could provide access to our hinterland.

On Monday, the minister for shipping and inland waterways Sarbananda Sonowal was in Chabahar to witness the signing of a 10-year long-term contract, which renewed India's commitment to developing the port in Iran. It may be recalled that the first 10-year contract was signed during Prime Minister (PM) Narendra Modi's visit to Iran in 2016.

Chabahar port has a chequered history. During the Shah's time, Iran had offered this port to the Americans. The Shah also planned to build a submarine base in Chabahar. The port is outside the Hormuz Strait and could provide a safe alternative in case of a conflagration in the Gulf. This is a major advantage from Iran's perspective. From India's point of view, Chabahar is an attractive proposition as it is closer to home than Bandar Abbas.

Chabahar has two ports — Shahid Kalandari and Shahid Beheshti. The Indian project scope involves the development of the latter. During my first visit to Chabahar, I was struck to see how developed the city was. The Iranian government had lavished expenditure on infrastructure in and around Chabahar. The port town is linked by road to Zahedan and Mashad in the north as well as Bandar Abbas in the west. It lacks rail connectivity, though reportedly the Iranian side has made progress in doing the groundwork. Chabahar port was offered to the Indian side during former Iranian president Mohammad Khatami's visit to India in 2002. The project, however, remained on the back burner for almost a decade. I had the privilege of starting negotiations with Tehran in 2012 as then-Indian ambassador to Iran. This culminated in an MoU signed during the visit of then-minister for shipping Nitin Gadkari in May 2015. This was followed by the contract signed in the presence of PM Modi the next year. As that agreement could not be operationalised for various reasons, the project was so far being run on the basis of an annually renewed interim contract. This will now be replaced by a new 10-year agreement.

The geopolitical situation in the region has changed from what it was in 2015. The United States (US) has exited Afghanistan. Kabul has a Taliban regime. Islamabad has had four governments since 2021 — Imran Khan, Shahbaz Sharif, interim government, and now, Shahbaz Sharif again. Does this change the relevance of Chabahar for India? Regardless of change in governments, geography remains an immutable factor. Pakistan extracted a rent for allowing transit to Afghanistan through Karachi



Iran's Minister of Roads and Urban Development Mehrdad Bazrpash (4th-R) and India's Minister of Ports, Shipping and Waterways Sarbananda Sonowal shake hands after signing a deal for equipping and operating the Shahid Beheshti port in the southeastern Iranian city of Chabahar, in Tehran, Iran, on May 13, 2024.

port. In the case of America, this was in the form of a coalition support fund and various aid packages. Afghanistan suffered long delays and pilferage of goods during transit. India was allowed transit sporadically. If Pakistan did not allow transit rights in the past, it is unlikely to do it now when it has a deeply fractured polity and a sinking economy. There will be no appetite for making a major political gesture to India by allowing transit rights. India needs Chabahar regardless of changes in regimes in the neighbour-

hood. India's engagement with the Central Asian republics has increased. Trade with Central Asia also requires a transit route. While Chabahar is important for India, it also broadens the options of Afghanistan and the Central Asian republics. At present, Afghanistan trade depends on Karachi or Bandar Abbas port. The former option does not exist with strained relations between the Taliban and Islamabad. The situation has worsened especially after Pakistani strikes on

targets within Afghanistan. Bandar Abbas, Iran's main port, is congested. The Chabahar port will need a railway link to connect it to Zahedan and Sarakhs in the north. Sarakhs in the northeast corner of Iran is located at the tri-junction of Turkmenistan, Afghanistan, and Iran. It is connected by rail to Turkmenistan, which has connectivity with other Central Asian republics. Once a railway line is built to Sarakhs, Chabahar will be connected to Central Asia. Chabahar port could also be a hub for

trans-shipment to Africa. At present, Indian exports are trans-shipped via Jebel Ali. But this will require improving the port infrastructure. An immediate requirement would be establishing a direct shipping line between Indian ports and Chabahar. Without a regular shipping service, it is difficult to attract traffic to the port. Chabahar is often compared with Gwadar. There is a fundamental difference between the two. Gwadar has been developed by China as a naval base. The Indian project in Chabahar is a civilian project. The port will be open for business with third countries also. There are already Chinese companies present in the Chabahar Free Trade Zone. Pakistan and China do not look kindly at India's Chabahar presence.

A new factor in the equation is tensions in West Asia, though the scope of Chabahar is limited to connectivity with Afghanistan. After the recent exchanges between Iran and Israel, US sanctions against Iran have deepened. There was a sharp warning by the US State Department following President Ebrahim Raisi's visit to Pakistan in April. The US spokesman said that anybody doing business with Iran will be sanctioned following the decision by Tehran and Islamabad to increase bilateral trade to \$10 billion and resume work on the Iran-Pakistan gas pipeline. The State Department spokesperson reiterated the same line on Monday when asked about the Chabahar agreement. He added there was no exemption from sanctions for Chabahar. External affairs minister S Jaishankar described it as a bilateral matter between India and Iran.

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India defies threats of US sanctions



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PERSPECTIVE

India has appealed to the United States to avoid taking a narrow view of its port development agreement with Iran. This came in response to a warning from the US, issued on Monday, May 13, that nations engaging in business with Tehran could face sanctions. But, despite these warnings, India has proceeded to finalize a 10-year contract to develop the strategically significant Chabahar port in Iran.

Union Minister for Shipping, Ports, and Waterways Sarbananda Sonowal was present in Tehran for the signing of the contract between India Ports Global Ltd (IPGL), a government-supported entity, and the Ports and Maritime Organization (PMO) of Iran. Defending its decision, New Delhi emphasized that the agreement would be beneficial for the broader region.



Indian Prime Minister Narendra Modi (R) talks with US President Joe Biden at Mahatma Gandhi's memorial Rajghat on the final day of the G20 Summit in September 2023.

PTI

India's Foreign Minister S Jaishankar emphasised the importance of communication and persuasion in helping people see the broader benefits of this decision. Speaking to reporters the next day (May 14), he responded to a question on Washington's comments on the deal, stating, "I think we need to explain to everyone and convince them that this is beneficial for all. Taking a narrow view isn't helpful." Jaishankar also noted that the US had, earlier, recognized the broader significance of Chabahar and acknowledged the necessity of a long-term agreement with Iran to en-

hance the port's functionality. "We believe that operating the port will benefit the entire region," he stressed. IPGL plans to invest around \$120 million in equipment and operations at the port for the duration of the contract, with the potential for extended cooperation in Chabahar beyond this period. Additionally, India has proposed a rupee-equivalent credit line of \$250 million for specific projects aimed at enhancing the port's infrastructure.

Initial delays, the breakthrough

Although the idea for the project originated in 2003, it did not

gain momentum until 2015. This acceleration happened after Iran and the P5+1 countries — the UK, China, France, Germany, Russia, and the US — agreed on restricting Iran's nuclear programme in return for lifting economic sanctions. In May 2016, the project gained significant momentum when India, Iran, and Afghanistan signed a tripartite agreement in Tehran. This agreement aimed at establishing a transport-and-trade corridor via Chabahar Port. During this event, Narendra Modi, marking the first visit by an Indian Prime Minister to Iran in 15 years, announced India's commitment to invest-

\$500 million (approximately INR 4,000 crore) in the project. A year after the agreement, the US withdrew from the nuclear deal with Iran. Despite this, India achieved a diplomatic victory when the Donald Trump Administration granted India an exemption from sanctions. This exemption was based on the strategic importance of Chabahar Port, which provides convenient access to Afghanistan. In 2018, following a short-term contract between India and Iran, IPGL began managing smaller-scale operations at Chabahar Port, including handling the container traffic and cargo.