

# Chabahar project on track despite sanctions, benefiting regional trade

## Economy Desk

The Chabahar project has never been halted and continues to move forward steadily despite sanctions, Iran's Ambassador to India Mohammad Fathali has told India's CNN-News18 in an exclusive interview, calling media reports speculative.

Fathali said Tehran is continuing to advance the development of Chabahar Port despite sanctions, stressing its strategic importance for regional connectivity and trade.

He said Iran believes economic and development cooperation, particularly major regional projects such as Chabahar, should not be affected by "unilateral approaches and illegal sanctions."

The ambassador described Chabahar as a project of regional and international significance, playing a key role in enhancing connectivity, especially for India's access to Afghanistan and Central Asia.

He added that Iran is seriously pursuing its southeastern port's development and sees its benefits extending beyond Iran and India to other countries in the region.

India secured a six-month US waiver in November to continue operating Chabahar Port, easing concerns over its investment and potential sanctions exposure. The move followed Washington's September decision to revoke a waiver in place since 2018.

India has supplied equipment worth \$25 million and shipped food via the port. In May 2024, it signed a 10-year deal with Iran to develop and operate Chabahar, committing \$120 million and offering a further \$250 million



A cargo ship is docked in the Shahid Beheshti terminal in the southeastern Iranian coastal city of Chabahar, on the Gulf of Oman.  
● IRNA

credit line for infrastructure.

Bloomberg News reported in April that officials were seeking an extension of the waiver, though rising tensions between Washington and Tehran have complicated prospects.

## Rail link nears completion

Fathali also noted that the Chabahar-Zahedan railway, a key component of the port's transit capacity, has reached 90% physical progress, with rail-laying operations in the Chabahar section expected to be completed by mid-June, linking the port to Iran's national railway network.

He also said improvements in public

services, including the construction of a hospital and development of hotels, are expected to be completed by August or September 2026, helping transform the area into a sustainable economic and social hub.

Noting that Tehran remains open to dialogue with the US, Fathali stressed that no official details of any new proposal have been released. He underlined that Iran seeks "durable and lasting peace" rather than a cycle of war and ceasefire, asserting that Tehran's non-negotiable red lines include its right to peaceful nuclear energy under the Non-Proliferation of Nuclear Weapons (NPT) and the lifting of

"unjust" sanctions.

Over the past 47 years, the envoy said, "the US and its allies have exerted extensive pressure on the Iranian people through the harshest and most inhumane sanctions."

"The freezing of billions of dollars of Iran's assets, medical sanctions that endangered the lives of millions of our citizens, the prevention of purchasing new aircraft, and even restrictions on the import of aircraft parts are only part of these unjust policies aimed at pressuring the Iranian people" he told the Indian English-language news television channel.

"Even now, by deploying military vessels to the region and stationing the most advanced military equipment, they seek to confront our people simply because Iran wants to remain an independent country and preserve its national dignity," he said.

## Safe passage for Indian ships through Hormuz

On ensuring safe passage for Indian vessels through the Strait of Hormuz amid rising US-Iran tensions, Fathali said Iran remained committed to maritime security in line with international regulations.

"We have stated that vessels belonging to countries that have not participated in the US-Israeli aggression against Iran may continue to pass through the Strait of Hormuz."

In this regard, our friendly countries, including India, face no restrictions in transiting the Strait of Hormuz. So far, several Indian vessels have passed through this route with full security, and this process will continue in the future.

Naturally, for better management of the situation, certain regulations have been established for passage through the strait, and all vessels are required to comply with them. However, Iran has demonstrated the utmost cooperation and flexibility toward Indian vessels and those of other non-participating countries.

## Steel producers urge power exemptions amid war damage, market risks

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Iran's alloy steel producers urged the government to exempt steel plants from electricity consumption restrictions this year, citing production disruptions at major facilities following recent US and Israeli attacks and warning of broader risks to the domestic market.

In a letter addressed to the ministers of industry and energy, the Iranian Alloy Steel Producers Association said output had halted at major plants, including Mobarakeh Steel Company and Khuzestan Steel Company, and called for uninterrupted power supply to help stabilize production and offset losses.

"The halt in production at major steel plants has posed an unprecedented threat to market stability, downstream industries and related businesses," the association said in the letter, according to IRNA. "Under such conditions, the only way to preserve the supply chain and prevent market collapse is the continuous operation of steel units, especially alloy steel producers."

The group said imposing electricity restrictions — including outages, load shifting or demand cuts — would undermine efforts to replace lost output, deepen liquidity pressures and push companies into severe financial distress, with potentially irreversible consequences for the broader steel sector.

It added that maintaining uninterrupted production, particularly in alloy steel plants, would support economic activity, stabilize the market and ensure the supply of critical inputs across industrial



chains.

The Iranian ministries of Energy and Industry, Mine and Trade coordinated efforts to secure a stable electricity supply for industrial units and ease consumption curbs during the summer peak demand period, following a joint meeting between senior deputies from both bodies on Friday. Deputy Energy Minister Mostafa Rajabi Mashhadi said electricity curbs on industries would be reduced this summer compared to last year to help minimize disruptions to production.

## Planned remedial measures

According to Mehr news agency, Iran's steel industry has been moving toward recovery two weeks after a 40-day war, with producers maintaining at least baseline output through crisis management and domestic capabilities.

Vahid Yaqoubi, a member of the steel association, proposed measures to support recovery, including deferring tax and bank

liabilities, facilitating slab imports without foreign currency transfers, and bartering a surplus of 12 million tons of iron ore pellets for other inputs.

He said the sector accounts for 5.5% of Iran's gross domestic product and 11% of non-oil exports, equivalent to \$7.7 billion, underscoring its critical role in the economy.

According to Mehdi Mohammadi, head of the Iranian Alloy Steel Producers Association, Iran produced 7.26 million tons of steel in the first quarter of 2026, maintaining its position as the world's 10th largest producer.

Mobarakeh Steel Company (MSC), based in the central province of Isfahan, and Khuzestan Steel Company in the southwestern Khuzestan Province were hit multiple times during the American-Israeli war that began on February 28. MSC is working to restore stable production after parts of its lines were damaged during the hostilities.

Western sanctions on Iran, along with damage from recent military attacks on production infrastructure, have further intensified challenges facing the sector.

According to the Ministry of Industry, Mine and Trade, Mobarakeh Steel Company has been tasked with supplying steel sheets to downstream and affiliated companies through imports at prices approved by the Organization for Supporting Consumers and Producers. The ministry is also pursuing the approach of increasing steel production capacity in the country.

## Post-war modernization drive

Separately, a senior provincial official said a roadmap had been drafted to modernize Iran's steel industry, with a focus on higher value-added and lower-emission products.

Kourosh Khosravi, deputy for economic affairs at the Isfahan governor-general's office, said Mobarakeh Steel was shifting toward advanced and low-pollution products as part of a broader post-war restructuring strategy.

He said the plan aims to move away from raw material exports toward high-value steel products and eventually position Iran as an exporter of steel technology, including products such as electrical, coated and stainless-steel sheets, which are currently largely imported.

Khosravi added that after three decades of activity, the industry is seeking to transition from a product supplier to a technology exporter, building on capabilities already demonstrated in overseas contracting projects.

## Prolonged Internet outages push Iran's digital economy to brink

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Iran's digital economy has entered a period of structural instability due to prolonged Internet outages, with around 2,000 online companies able to withstand only one to two more months of disruption, according to Reza Olfat-Nasab, head of the Iranian Union of Virtual Businesses.

Speaking to KhabarOnline, Olfat-Nasab said the digital sector has faced a series of consecutive crises over the past year, placing heavy pressure on online businesses. He argued that the situation can no longer be viewed as merely a technical disruption, but must be regarded as a structural issue within the country's economy.

Olfat-Nasab warned of the consequences of continued Internet disruptions, noting that sales at some online businesses have fallen by as much as 70%.

Over the past year, Iran's Internet has been disrupted for more than 100 days, including a record 63 consecutive days of outage during the recent conflict, according to available data. Internet access across the country was largely shut down from the early hours of the February 28 US-Israeli attack, with connectivity dropping to around 2% of pre-war levels, according to monitors. "Since the April 8 ceasefire took effect, authorities have gradually expand-

ed limited access to selected individuals and entities, but most of the country's population of more than 90 million remains offline."

Abbas Ashtiani, head of the blockchain commission at Iran's ICT Guild Organization, estimated that the digital blackout imposes at least \$30 million to \$35 million in daily direct, indirect and opportunity costs on the country. A KhabarOnline report concluded that Iran's economy lost approximately \$1.71 billion (300,000 billion tomans) during two months of Internet shutdown.

Olfat-Nasab, addressing estimates of daily losses ranging from \$30 million to \$80 million due to Internet outages, said that while no official or definitive figures exist on the matter, available assessments point to substantial losses in the sector. He emphasized that more important than the figures themselves is the true nature of the damages, which are often indirect and hidden and rarely captured in official reports.

In a statement on Wednesday, the Tehran E-commerce Association called for the restoration of Internet access, warning that the cutoff has disrupted updates to security equipment and effective responses to cyberattacks. The association added that the market for virtual private network (VPN) services has surged, intensifying insecurity in cyberspace.