

Chabahar Port And Its Implication On Indo- Iran Relations

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Abstract: The Chabahar port will certainly boost the Indo- Iranian relations which have been more or less dormant since 2012. The port development should not be viewed in isolation but also from the prism of other opportunities which India can derive from this venture. However it is also to be borne in mind that India- Iran bilateral relations are complex and various other extraneous variables should be factored in before deriving at any optimistic estimates. The current paper aims to trace the factors impacting India's decision on Chabahar, Its implications on the India- Iran relations as well as the possible irritants that may hamper it.

Background

The recent visit by Indian Minister for Shipping and Road transport and Highway, Mr. Nitin Gadkari saw India and Iran sign an inter-Governmental MoU regarding India's participation in the long delayed development of the Chabahar Port in Iran's Sistan- Baluchistan Province.[1]

The proposal to develop the Iranian port was framed in 2003 in the Delhi Declaration;[2] however the project failed to make any progress since then. Unlike the UN, the US had imposed specific sanctions on the Iranian port development along with a host of other sanctions on the Iranian shipping and shipbuilding industry.[3] This kept the cargo traffic to be more or less low making any sizable investment in the port development in Iran a risky venture. Thus India's wait and watch policy made some economic sense. US pressure was another reason for India delaying its investment in the port development.

Possible factors impacting India's decision on Chabahar

The recent success in the nuclear negotiation between Iran and the P5 +1(US, Russia, UK, France, China and Germany) which saw the signing of a framework agreement, leading to flurry of activities from German,[4]Russian, [5] Chinese and even a few US companies [6]trying to capitalise on the diplomatic breakthrough to benefit from the supposedly lucrative Iranian market. This finally seems to have forced the Indian leadership to act.

In addition to this Indian offer to develop the Farzad B gas field, including swapping the field's gas with natural gas produced by other Iranian fields in Chabahar port, and construction of a pipeline to take the surplus gas of the field to India; [7] was lately declined by Iran, [8] indicating India had to act and act fast as Tehran now had better alternatives at its disposal and had no patience for India.[9]

The Indian Offer

As per the current deal India intends to lease two berths at Chabahar for 10 years. Following the signing of the MoU, commercial contracts will soon be finalised to develop two berths as container and multipurpose terminals. In the second phase, India will reportedly invest USD 110 million to further upgrade and expand the port.

India has further implicitly attempted to sweeten the reengagement with Iran by signalling its intention to diversify and intensify its engagements by proposing to invest in Iran's petrochemical complexes[10], agriculture [11] as well as in transport sector. [12]

Importance of Chabahar for India

The primary reason forwarded for the development of the port has been to open trade with Afghanistan and Central Asian Republics as well as provide alternative trade routes to the Russia and some Eastern European nations. The port is more important especially because of Pakistan's refusal to provide India access to Afghanistan and the region from its territory. It is also likely to boost the current trade between India and the region which is negligible.

In addition to strategic and economic importance, the deal also has great symbolic significance for

bilateral relations as it would signify that India is committed to supporting a major infrastructure project in Iran[13]

- **Reduced LNG Imports by India**

With the developments in the nuclear negotiations, the outcome is likely to be a comprehensive deal being signed between Iran and the P5+1. This will enable India and other countries to invest again in the Iranian energy sector.

Considering the low non- oil trade between India and Iran and for the Indian investments to make some good sense out of its investments at Chabahar, India should further pursue its case of developing the Farzad Gas B field with Iran.

A major chunk of India's gas imports are utilised in fertilizers[14] and due to unavailability of any gas pipeline and low domestic production, gas is imported in liquefied form impacting the import bill. India's intension to invest in the Iranian petrochemical plants near Chabahar makes good economic sense. Iran, having the second largest gas reserve in the world, is a gas surplus state thus making it a good alternative. Urea and other fertilizers can be produced and imported at a much cheaper price than importing gas in a liquefied form. This can be done using the Chabahar port.

- **Impact on Regional Trade**

The Indian non- oil trade to Iran in 2014-15(April- Feb) amounted to approximately US\$ 3 billion worth of exports or 1.35% of its entire exports[15] where as its imports comprised of approximately US\$ 8.8 billion or 2.13% of its total imports.[16] The export to Central Asia was a meagre US\$ 549.16 million[17] and the imports amounted to approximately US\$754.42 million.[18] The non-military and non- energy trade with Russia saw exports worth US\$ 1.8 billion and imports worth US\$ 3.85 billion.[19] Afghanistan imported goods worth US\$ 389 million and exported US\$ 245.09 million. [20] From the data it is clear that India's trade with the region at large is low, connectivity for the movement of goods being one of the main concerns. The development of Chabahar coupled with the proposed North- South transport corridor will in all certainty boost trade with the region.

- **Boost for Indian Port Authorities for overseas ventures**

Chabahar is the first foreign port being developed by India through Jawaharlal Nehru Port Trust and Kandla Port Trust and should seize the opportunity to at least makes a beginning on the global stage, which can be leveraged for a larger role later on.[21] Globally, government-owned ports are seeking investment opportunities overseas to forge stronger commercial links between maritime regions that have the potential to generate cargo for their own ports. So, clearly, the aim is to attract more cargo. [22]

Possible irritants

India-Iran relations are rather complex. As Iran continues to be important for India, the ties with Washington are also equally important for New Delhi. The Indian move did not go down well with US as well as Israel who did not waste a moment to warn India of its "hasty decision". In addition to this the recently concluded agreement was in the form of an MOU - not a formal agreement - with the intention that the MOU will serve as a stepping stone to a formal accord to follow. [23] Thus considering the ongoing stage of negotiation on the Iranian nuclear deal the port will certainly take some time to operationalize.

In the event of the nuclear negotiations fail, the Indian investments are likely to be at risk. On the other hand in case the deal is signed Iran gets various options and will not shy away from bargaining hard to extract a better deal from India.

In terms of using Chabahar as a terminal for export of gas there is also some skepticism about Iran choosing Europe over Asia as a preferred destination. In that case it needs to be checked what proportion of Iran's gas exports will be heading towards Asia in general and India in particular as Iran can supply Europe through the existing Trans- Anatolian natural Gas pipeline, impinging on Chabahar's importance as an energy hub.

Conclusion

Chabahar is an important string in the Indian economic and strategic ventures in Afghanistan and Central Asia. It will thus enable India to benefit from its investments already made in Afghanistan and

those that it intends to make in the coming years. It also comes with a host of other opportunities in a variety of areas which the Indian decision makers certainly seem to have taken into consideration along with the decision on Chabahar.
