
India, Chabahar, and the Changing Regional Dynamics

NK Bhatia

Three nations, India, Iran, and Afghanistan, signed the historic Trilateral Agreement on Transit and Trade during the visit of Prime Minister Narendra Modi to Iran from May 22-23, 2016. The presence of three heads of state at Chabahar on May 23, 2016, signifies the importance of a non-descript coastal town of Iran that is being mentioned as a game changer for the three countries.

Chabahar: A Game Changer?

The signing of the agreement is significant for all the three countries, each for a different reason. Firstly, for Iran, it ends years of isolation. The conclusion of the US-Iran Nuclear Agreement in 2015, followed by the signing of the Trilateral Agreement was just the opportunity it was waiting for to reengage on economic issues and explore new avenues for cooperation. Secondly, for India, it provides an opportunity to establish its foothold in the region from where it has for long been waiting to fulfill its commitments for development of the port and enhance its economic interests and connectivity with the region. And, thirdly, for Afghanistan, to end its isolation and dependence on Pakistan. Chabahar is located in south Iran in its Sistan Baluchistan region, along the Makran coast in the

Brigadier NK Bhatia (Retd) is former Chief Instructor, Military Intelligence School, Pune.

Gulf of Oman. It is the only Iranian port providing direct access into the Indian Ocean. The current major port of Iran, Bandar Abbas, is located at the mouth of the Strait of Hormuz and within close proximity to the United Arab Emirates (UAE) and Oman, which is heavily patrolled by various nations to protect the sea-lanes transporting precious oil from the Middle East to various countries around the globe. More significantly, Chabahar is located only 72 km west of Gwadar port in Pakistan, which is being developed jointly by Pakistan and China as part of the China-Pakistan Economic Corridor (CPEC).

Significance for India

The Chabahar port, once fully developed, will give India a strategic foothold and facilitate direct access to Afghanistan and Central Asia, completely bypassing the need for the land route through Pakistan.. Once the project is completed and connected by road to Afghanistan, it will facilitate in realisation of the true potential of the Zaranj-Delaram road built by India at a significant cost and grave risk, and further connect it to the 1,300-mile-long Afghan ring road. It is also envisaged to link the port by the rail network from Chabahar to Zahedan and on to Afghanistan to fully exploit the mineral wealth of Hajigak where India has successfully bid to mine iron ore in three blocks. The other significant benefit which India foresees is the conclusion and signing of a bilateral agreement for a stake in the Iranian gas field, Farzad B, setting up a 0.5 million tonne aluminum extraction plant by the National Aluminium Company Limited (NALCO), building a fertiliser plant and committing US \$ 150 million for the development of Phase I of Chabahar port. From the military point of view, the significance of the project is its ability to further the Indian ambition of developing a blue water Navy by enhancing its footprint in the Indian Ocean and Gulf of Oman.

The development of Chabahar will help Afghanistan enhance its trade with India and significantly reduce Pakistan's hold over Afghanistan,

which prohibits any trade between the two countries through the land route. The port will end its isolation and provide it a shorter access to the sea, obviating its dependence for all its sea-based imports through Pakistan. The project will, thus, facilitate easy and faster access to the Arabian Sea and South and South Asia for Afghanistan. Iran had been waiting for an opening to play a major role in the region, especially in Afghanistan, which is its immediate neighbour to the east and with which it shares an approximately 930-km-long border, with sizeable influence on Afghanistan's Shia population. Earlier, Iran was precluded from playing an active role in the region due to the US' direct influence on Afghanistan and the application of sanctions on trade and transit. Iran has also been kept out of the peace dialogues with the Taliban, the last one being the Quadrilateral Coordination Group (QGC) Forum comprising the USA, China, Pakistan and Afghanistan, although China, with just 76 km of border through the Wakhan Corridor with Afghanistan, and with hardly any leverage with the Taliban, was included at the behest of Pakistan. Iran, therefore, is a fitting and willing player to play an active role in bringing about stability in Afghanistan, keeping in view its expanding ambitions for a hands-on role in the geopolitics of the region, post removal of sanctions. With the USA having expressed frustration with Pakistan due to its promoting proxies in the Taliban and the Haqqani network, it is likely to encourage an engagement between Iran and Afghanistan, to the advantage of India. The Afghan President, looking for relevance in his country, is likely to encourage Iran's participation so as to bring a semblance of peace in the region.

Iranian Gains from Chabahar

Beyond expanding its footprint in its immediate neighbourhood, Iran is also looking for an economic renaissance, having been isolated for close to a decade. Chabahar provides it an opening to expand southwards since the development of the port will ease its reliance on exporting oil

through the Strait of Hormuz which has seen continued tensions due to the changing dynamics of intra-religious conflicts and hostilities with its immediate neighbours in the Gulf. Iran is also out to challenge the Saudi hegemony and its brand of Islam. The recent instability in the Arab world and Middle East is an outcome of this rivalry, which is unlikely to abate in the near future. Any opportunity to economically consolidate its position and come out of isolation will be lapped up by Iran at the first opportunity.

The potential for expansion of Indian trade is immense but has remained relatively unexploited due to the lack of direct connectivity. The bilateral trade between India and Afghanistan is currently worth US \$ 647 million (2014-15) and there is a huge potential for furthering the economic relationship and its further expansion to Central Asia through Afghanistan. More than the economic dimension, India's inability to access Afghanistan is hindering the expansion of bilateral ties and escalation of humanitarian assistance which is urgently required by the people of Afghanistan and which India is ready to provide. The expansion has been held hostage to Pakistan's confrontational attitude to disallow any Indian goods to transit through its territory. Development of Chabahar will also provide an opportunity to recommence development of the International North-South Transport Corridor (INSTC), crucial to India-Central Asia trade, which had not seen any progress due to the inability to develop land connectivity and progress on development of the sea route as a result of the economic sanctions against Iran. It is forecast that Central and South Asia will also see significant economic activity in the coming decades. The current trade between India and the Central Asian countries has huge potential. The current statistics reveal bilateral trade between India-Kazakhstan at US \$ 952 million, India-Uzbekistan at US \$ 210 million, India-Tajikistan at only US \$ 55 million, India-Turkmenistan at US \$ 105 million and India-Kyrgyzstan at a miniscule US \$ 38 million. Compare this with China's trade with Central Asia, which in 2013 had expanded

to nearly US \$ 50 billion. As is evident, there is ample scope for India to enhance trade relations with the Central Asian nations. Development of Chabahar port and further rail and road networks will escalate economic development of the region and facilitate better connectivity. In particular, it will see significant gains for Afghanistan as a transit country for the goods originating in Central Asia and vice versa, as stated by ex-Afghan President Karzai in a recent seminar. In a nutshell, it is a win-win situation for all the stakeholders: India, Iran, Afghanistan and the Central Asian countries.

Another important economic potential of the development is the possibility of enhancing India-to-Russia trade through the land route from Iran. Trials carried out by the Freight Forwarders Association in India for a container from Mumbai to Astrakhan via Chabahar in 2014 revealed that there is a potential to reduce freight cost by 30 percent and sea freight cost by almost half in comparison to the current sea route where freight is delivered at St Petersburg on the Gulf of Finland. Similarly, a truck delivered a container at Baku from Chabahar within 23 days, which is favourable against taking the longer route via Singapore or Hong Kong.

Emerging Rivalries in the Region

A question being repeatedly asked about the development of Chabahar is the potential of increasing rivalry between India and China, especially in reference to the development of the China-Pakistan Economic Corridor (CPEC) wherein China has committed to spend US \$ 46 billion for its development, and Gwadar port. On the conclusion of the India-Iran Agreement, the Chinese media was quick to comment on the development and mentioned it as part of India's increasing "geostrategic calculations" to access Central Asia and Middle East. It also pointed that it was "unlikely that Iran may align with India since China is also crucial to Tehran's core interests. Iran never publicly

articulated its opposition to the Sino-Pakistani project in Gwadar”. However, the developments of the past few weeks have the potential to play out the rivalries in the region. Prime Minister Modi’s reference to Baluchistan has seen the emergence of Baluch nationalistic passions and posed direct questions on the security of the CPEC corridor passing through Baluchistan and Pakistan Occupied Kashmir (PoK). India, in its bilateral negotiations with China, has also opposed the development of the CPEC through PoK and the Gilgit-Baltistan region, claiming them to be its own territories illegally occupied by Pakistan. The Indian spokesman articulated the Indian Prime Minister’s position, stating, “As a matter of principle, both countries would have to be sensitive to each other’s strategic interests”. The security concerns of the Chinese, therefore, are likely to escalate manifold, especially in the backdrop of revelations in Pakistan’s Punjab Assembly that over 15,000 Pakistani troops have been employed to guard approximately 7,000 Chinese workers and engineers engaged in construction of the CPEC corridor.

In another significant development, Japan has shown keen interest in partnering India in the development of the Chabahar infrastructure project, primarily to protect its energy interests in West Asia, independent of the USA. The Japanese assistance would reinforce the viability of Chabahar and provide it much needed money to complete the project. This factor will also play out the Sino-Japanese rivalry being witnessed in the South China Sea. Notwithstanding, major concerns remain with respect to the execution of the project on the ground due to the unstable situation in the region, the increasing power play in the Middle East between Iran and Saudi Arabia, the lack of clarity on sanctions against Iran and the fragile political situation within Afghanistan and its ability to commit itself to secure the men and material being transported within its territory to fully exploit the potential of the project. India will also need to significantly enhance its economic commitments and bear the

burden to develop the corridor since the other stakeholders involved are unlikely to contribute to its development, notwithstanding the Japanese offer which is yet to fructify. India will also need to develop the rail infrastructure, especially within Afghanistan, to facilitate movement of goods. The Pakistan factor, to play mischief, has always been a potent threat to Indian interests. Its sway over the Taliban and Haqqani network to put impediments in implementing the project, similar to the numerous attacks on Indian workers engaged in development work in Afghanistan, would always keep India alert to the threat.

Conclusion

India has shown considerable mettle to forge fresh initiatives in the region, faced with a hostile and aggressive onslaught by Pakistan, which has used its proxies to constantly attack Indian diplomatic and economic interests in Afghanistan. Denial of land linkages between the two countries has prevented India from playing an active role in Afghanistan's economic redevelopment and extending assistance to the country, while expanding its strategic footprint in Central Asia. India must now play a leadership role to undertake the initiative to develop Chabahar part expeditiously and in a time-bound manner.