



## Strategic and Economic Importance of Chabahar Port



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### Abstract

*Due to China's engagement in the Gwadar Port, India has hastened the process of becoming a shareholder and stakeholder in Chabahar Port in order to counter the Chinese threat. Chabahar is India's gateway to Central and South Asia. It is Iran's intention to link and access these countries through the building of the Chabahar Port. With the expansion of these connections between South Asia and Central Asia, West Asian countries and Europe via Chabahar, not only will Iran gain, but so will the nations of these regions. Iran will be able to play a key role as a result of these linkages, which will increase the strategic importance of Iran and Chabahar.*

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## Introduction

Chabahar is the only oceanic port located alongside the Indian Ocean and Oman Sea in the Sistan and Baluchistan province of Iran, connecting Afghanistan, Pakistan and CIS (Commonwealth of Independent States) countries. During Achaemenids' (559 B.C) time, Chabahar Port was known as Tees and played a crucial role in transporting freights to and from Eastern Asia, India, the Middle East and the Caucasus. [\(GUPTA, 2013\)](#)

The regular usual extreme temperature of Chabahar is 34°C, and the average least is 10°C. The climate of Chabahar is very pleasant that makes it one of the coolest ports of the Arabian Sea

all the way through summer because of the gusting of Summer Monsoon winds of the Indian Ocean. Chabahar Port's developing plan was completed in Five phases in 2007. [\(Khan Z. A., China's Gwadar and India's Chahbahar: an analysis of Sino-India, 2011\)](#). The port can play a vital role in business and trade transactions among Central Asia, South Asia, West Asia and South-East Asian markets. The government of Iran has envisaged the strategy to interconnect Chabahar Port through road and rail links with Afghanistan and Central Asian republics that will add to the port's geo-strategic prominence.

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The port of Chabahar is of great value than the port of Bandar Abbas, owing to its proximity with Mumbai, Karachi and Gwadar, which results in easing the cost of conveyance to the eastern flanks of Iran, Afghanistan and Central Asia. Furthermore, due to the remoteness of Chabahar Port from the Strait of Hormuz, the commercial and trade activities at the later port will not be affected in case of the closing down of the former. (Daniels, 2013)

According to Rouhollah Latifi, head of the public relations and international affairs of Chabahar Free Trade and Industrial Zone Organization, “The zone enjoys a high international status in the transit of commodities; therefore, comprehensive planning can speed up the transfer of goods from the zone to ECO [Economic Cooperation Organization] member states as well as other countries in the world”. (Aryaman Bhatnagar and Divya John, 2013)

### **Central Asia and Iran’s Interest in Chabahar**

Tehran perceives Chabahar as the only Port of Iran that fulfils its strategic goals of becoming the prime trade and transit hub amidst the Persian Gulf, Central Asia and South Asia. For the realization of strategic and economic goals, Iran has not only developed the infrastructure of Chabahar but has also been involved with other states to further improve its transit potentials. In pursuance of influence over the Central Asian market and for having access to this region, Iran is constructing a railway line in collaboration with Afghanistan and Tajikistan, and for this purpose, it has already signed (MoU) with these states, which will further be aided with water pipeline and transmission lines. Iran is also aspiring to connect the Khvaf-Herat railway line with those of the Central Asian, Turkish and European railways and other communication routes.

A road connecting Chabahar and Milak alongside Iran- Afghan boundary has already been built by Iran, which further touches Zahedan and Iranshahr, and from here, it is linked with a highway between Zaranj and Delaram. Similarly, many other developments of the same cadre are in the process of accomplishment, which include railway lines connecting Chabahar with Bam railway line via Faranj, Chabahar and Hajigak railway line and a railway linkage that attaches Zahedan, Mashhad and Chabahar. This line will further be linked with Termez in Uzbekistan through Herat and Mazar e Sharif. This will not only pave the way for Iran to pursue its strategic and economic interests in these regions but will also add to the importance of these areas. (Jaffrelo, 2011)

In Tajikistan, Iran has financed the (Anzob Tunnel). This project is part of Iran’s future plan for building a road route to China and Tajikistan, passing through the north and south Afghanistan. It will further be connected through a rail line to Uzen in Kazakhstan and gyzylgaya, Bereket and Etrek in Turkmenistan that will be linked to the Golestan province of Iran. Similarly, for improving and increasing border trade and terminals, Iran has signed a Memorandum of Understanding with Syria and Iraq. Establishing transit and transport corridor among Qatar, Oman, Uzbekistan and Turkmenistan, Iran has also signed a contract with these nations and has further approved the transfer of electricity from Turkmenistan to Turkey. Furthermore, Iran, like Oman, Syria, India, Bulgaria, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Ukraine, Russia, Turkey, Armenia and Belarus, is also a member state of INSTC (International North-South Transport Corridor). The INSTC has been envisioned to link North-South Asia with Northern Europe through Russia. (Mahapatra, 2012)

The construction of Chabahar Port is Iran's vision to connect and have access to these states. The development of these linkages among South Asia, Central Asia, West Asia and Europe via Chabahar will not only benefit Iran but will also be productive for the nations of these regions. Moreover, these links will also enable Iran to play a central role and will add to the strategic importance of Iran and Chabahar [\(Jen-Kan Fu, 2010\)](#).

### **Indian Interest in Chabahar**

Keeping in concentration the strategic and economic importance of Iran's Chabahar Port, India promised in May 2013 to support the improvement and up-gradation of Chabahar Port by investing US\$ 100 million in the project. India also pledged to further fund similar projects and plans that might augment the linkages of the port with other regions and states. New Delhi is keen that Chabahar Port may advance Indian interest in pursuing access to Afghanistan and Central Asia.

India used the port for the first time in March 2012 by shipping 100,000 metric tons of wheat to Kabul, having been the share of New Delhi's philanthropic assistance for Afghanistan. Likewise, India was provided with dry fruits of almost 20 containers by Kabul via Chabahar in 2013. [\(Aryaman Bhatnagar and Divya John, 2013\)](#). Iran, being at the intersection of various transnational transportation corridors, is a strategic asset for India likewise, Transport Corridor Europe- Caucasus-Asia, East-West Corridor, North-South Corridor, South Asia and Asia Land Transportation Infrastructure Development. [\(Mohammad Arifeen, 2010\)](#)

Chabahar plays the role of a golden bird for India as the port is positioned on the coastlines of the Persian Gulf and the Arabian Sea. Together with Iran (which is

known by the global community as one of the chief armed forces with a maritime and ballistic missile ability in the region), India can control and pose a threat to the Strait of Hormuz in the Oman Sea and Gwadar in the Arabian Sea. [\(Shapir, Walking a Fine Line: Israel, India, and Iran, 2013\)](#)

The prime aspiration of any state is to acquire the position of a dominant player on the world stage. Realizing this aim, governments try to enhance production, which ultimately requires the governments to secure the energy sources and routes for their productive units. India, thus is also in the line of competition for alternate energy sources and for having control over these resources. It is the third-largest country in the world in energy consumption and its domestic energy resources are not capable of fulfilling its energy demands. At present, India mostly relies on Saudi Arabia for its energy needs. New Delhi tries to seek alternative energy resources where it has strong competitors like China that is the second-largest energy consumer in the globe. This poses certain threats to Indian energy interests in the region. Iran's Chabahar Port is one of the strategic assets of India in its quest for access to cheap energy resources. India has been experiencing immense growth in production for the last couple of years. To quench her thirst for energy, the transportation of cheap oil from Iran is at the center of its relations with Tehran. [\(Vijay G. Kalantri, "India, Iran Trade relations growing", 2013\)](#)

Almost 600 million people in India are living without electricity, which is the essence of modern life and plays a vital role in the development of state formation. India is also urged by the global community to decrease greenhouse gas emanations. Realizing these issues, New Delhi's quest for access and control of cleaner energy resources becomes a

matter of fact.\_(Shapir, *Walking a Fine Line :Israel, India, and Iran*, 2013)

The gas pipeline (IPI) between Iran, Pakistan and India is the outcome of the Indian energy requirement. The IPI has been planned to transport gas from the southern parts of the Gulf to India via using Pakistani land. Presently this venture is ice-covered due to certain reservations on the side of India, yet Iran and Pakistan, in recent times, have entered into a contract of building the Pak-Iran portion of the project.

Keeping in view International sanctions against Iran, India has sought to ofimporting about 12 percent of its total consumption of crude oil from Tehran. These sanctions have left Iran with very limited oil consumers (Predominantly, South Korea, Japan, India and China) in the international market. In addition, these international embargoes against Iran have adversely affected Tehran's productive ability and have posed a serious setback to its refining capacity.

Consequently, Tehran exports its crude oil to New Delhi, which is refined there, and in return, Iran is provided with refined oil products by India. Furthermore, Iran lacks the technology and technological skill for the exploration of natural gas and is also not capable of producing Liquefied Natural Gas.\_(Richa Mishra, 2012)

Due to economic sanctions against Iran, India was forced by the international community, particularly the USA, to stop oil imports from Iran and in the end of 2010 the India Reserve Bank barred Indian Firms from purchasing crude oil via the Asian Clearing Union.(Shapir, *Walking a Fine Line:Israel, India, and Iran*, 2013)

These hurdles made the Indian business classes search for other ways of payment, and as a result, Tehran gets some of its payment in Indian rupees to

avoid international pressure as Indian currency does not entertain the status of international currency. Today the total annual exports to India by Iran exceeds almost \$11 billion, and the total annual imports from India touches nearly \$1 billion.\_\_(Shapir, *Walking a Fine Line:Israel, India, and Iran*, 2013)

## **Geo-Strategic Importance of Chabahar for India**

India is conscious of Iran's strategic importance. Iran is a gateway for India to the states in Central Asia, Caucasus and via them to Central and North Africa. The division of the Indian-Subcontinent in 1947 hindered direct Indian access to Afghanistan and Central Asia. Nevertheless, Iran is the only option for India to have access to Central Asia both for security and commercial objectives.

Realizing the significant position of Iran, India has deliberated many plans with Tehran. Chabahar Port and the International North-South Transport corridor are the most important projects between India and Iran that enable India to have access to Afghanistan, Central Asia and Eastern Europe.

Chabahar is at a distance of about 72 kilometres from Pak-Iran boundaries and is intended for the transportation of goods to and from Afghanistan and Central Asian Countries. The International North-South Transport Corridor, which is the outcome of a multi-faceted agreement among Oman, Syria, India, Bulgaria, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Ukraine, Russia, Turkey, Armenia and Belarus, passes via Iran(both through the Caspian Sea on a marine route and on land route alongside the coastline of the Caspian Sea) to Russia and then touching EasternEurope.(ChahBahar Port to Facilitate Strong Trade Ties Between Afghanistan, India and Iran",, 2013)

The construction and up-gradation of Chabahar Port by Iran, in collaboration with India, will further add to the geostrategic importance of Iran. Cooperation with India is destined to reduce global economic pressure on Iran. Both India and Iran are dependent on each other for their vested geo-strategic and geo-economic interests in the region. Afghanistan which is the epicenter of conflict between Iran, India, China and Pakistan. India and Iran are trying to reduce Chinese and Pakistani influence in Afghanistan. The establishment of Chabahar Port is the outcome of Indian intentions of counter balancing China in Arabian Sea and Indian Ocean. Chabahar Port further improves Indian access to Central Asia, Caucasus and Eastern Europe.

Chabahar is the only port of Iran that is directly linked with the Indian Ocean and it is certain that this port will pave the way for India to use it as an Indian Ocean outlet that will further New Delhi's interest in International North-South Transit Corridor inventiveness. India's direct access to Afghanistan and Central Asia is obstructed by Pakistan. Nevertheless, Chabahar is the only way out for India to Central Asia, Russia and Europe and is the sole hope of India to sway over the markets of these regions. Chabahar is the only option for India to compete with China and Pakistan in Central Asia and Afghanistan.

International North-South Transit Corridor (INSTC) linking Chabahar is said to be the shortest trade route between India and Europe as it will reduce the distance by about 40 percent and will decrease 30 percent cost of Indian trade, which is presently conducted through Suez Canal, Mediterranean and the Red Sea. (Roy, 2013) The development and up-gradation of Chabahar Port by India were started in 2002 as a response to Chinese initiative of constructing Pakistan's

deepwater Sea Port of Gwadar. (SamantaPranabDhal, The Indian Express, March 24, 2012). The distance between Pakistan's Gwadar Port and Iran's Chabahar Port is only 72km.

Amid greater pressure from the United States and Washington's determination to seek and tighten global pressure of toughening International sanctions against Tehran, India has stopped constructing and building the Chabahar Port till 2002. India, by overruling United States' objections, resumed the building of Chabahar Port as a response to Chinese control of Pakistan's Gwadar Port in 2012. The original scheme of constructing Chabahar Port and transit corridors was the result of an agreement between India, Iran and Russia, but Indian recommencement of the port in 2012 gave way to the further eleven countries partaking in the project from the Caucasus, Central Asia, Europe and the Middle East. Each state from these regions was enticed with the profit of getting stress-free access to the Indian Ocean.

The International North-South Transit Corridor of India is consisted of constructing a highway connecting the Iranian Chabahar Port with Afghanistan. The road from Zaranj (Iranian border Town) to Afghanistan's Delaram region has already been constructed by India, which is not part of its 100 million dollars in Chabahar Port. New-Delhi is also providing technical and economic assistance to Iran for the construction of the Chabahar and Zaranj highway.

The development and construction of the 900 kilometre long railway line from Chabahar to Hajigakregion has already been planned by India. The Bamiyan's Hajigak region is famous for its rich iron ore. Bamiyan is mostly populated by the Shia Hazara ethnicity, which will

certainly add to the economic advantages of India and Iran as Iran is a Shiite state.

Chabahar Port paves the way for the iron deposits of Afghanistan to be brought to the international market. The vacuum left by NATO's withdrawal from Afghanistan may certainly be filled by the trade between India, Iran and Afghanistan, for it will make way for both Iran and India to exert influence in Afghanistan and counter-balance the Sino-Pak sway here.

Though there is no evident proof of the naval collaboration, nevertheless, the mutual transportation and joint viable maritime relationship may certainly extend these ties to the level of strategic partnership in the Persian Gulf and Central Asian region between India and Iran.

The International North-South Transit Corridor and the Chabahar Port will also add to the strategic and economic zenith of India and Iran. This development will definitely incite other nations to take part in economic ventures, and this will also pose India and Iran in a decisive position.

The lifting of sanctions against Iran by the western powers further enables India and Iran to benefit from the International North-South Transit Corridor, which binds together the European and Asian nations into economic activities.

India is striving to achieve a kind of access to Central Asian Republics, Europe and Russia that is cost-effective to foster economic development in future. Iran is trying to subside international pressure and pave the way for a secure position in the world to further develop itself economically and strategically. (Tanchum, 2013)

### **Conclusion**

Combating the Chinese threat in shape of its involvement in Gwadar Port, India has

accelerated the steps to be shared and stakeholder in Chabahar Port. Having the position of interconnecting Central and South Asia and the Persian Gulf, Chabahar wields inordinate significance for India in the region. New Delhi may only rely on this port to enable it to surmount the Harmuz quandary.

India, in collaboration with Iran, has been trying to directly control or have a share in Central Asia's natural resources and to make ways for transit to Russia, Eastern and Western Europe via making safe access to these regions by establishing road and railway links from Chabahar to these areas. Being a member of the International North-South Transit Corridor, both India and Iran laid for the required infrastructures to halt Sino-Pak progress here. The INSTC trade path is considered to be the shortest of all routes available to India. It is destined to reduce the distance between Europe and India by more than 40 percent and is the most cost-effective for New-Delhi as it provides India with 30 percent cost reduction for its trade with Europe and Central Asian Republics.

The Indo-Iranian cooperation in Chabahar which lies on the coastal region of the Arabian Sea and the Persian Gulf provides both nations with strategic prominence to enact threats for both Gwadar Port and the Strait of Hormuz in the Arabian and Oman Sea respectively. Through Chabahar, India and Iran may obstruct China and Pakistan influence in Afghanistan and in CARs.

India has been declared as the third-largest energy consumer state of the globe. For satisfying energy desires, India requires alternative energy outlets to cater to its energy need. The same is the case of China, which is the second-largest nation, famous for energy consumption in the world. The competition in seeking alternate energy hubs is natural between India and China. India is mostly

dependent on Gulf states for its energy requirements at present. Chabahar enables India to realize this goal by the provision of access to Iran, Afghanistan and Central Asian Republics.

The present economic ties between India and Iran that exceeds 12 billion dollars annually, along with maritime ties and transportation collaboration, may eventually turn into strategic equations in South Asia, Central Asia, the Persian Gulf and the Indian Ocean that will have serious implications for both Sino-Pak nexus.

The ideological differences, unresolved border disputes, nuclear nexus and competition, Tibet, Aksai Chin and Arunachal Pradesh issues, competition over alternate energy resources, paving ways for influence in Afghanistan, Vietnam and the South China Sea, the

exertion of power for accessing CARs and West Asia's energy sources and the projection and developments of ports in the Arabian Sea and the Persian Gulf are the indications that Sino Indian relation will be governed by mutual distrust and competition in the coming future.

The 2.5 billion inhabitants of China and India are directly affected by the competitive approaches of Beijing and New Delhi towards each other. The two-sided hostility and differences can adversely disturb the stability of the region. Both the nations have been envisaged to be the major economies of the globe by 2025 and hence, wield immense insinuations for the stability, progress, prosperity, peace and progress of Asia because of the existence of equal suspicion between China and India.

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