



## India's Strategic Investment in Chabahar

This editorial is based on [“Anchoring ties in Chabahar waters”](#) which was published in Hindustan Times on 21/05/2024. The article brings into picture the 10-year contract between India and Iran for the operation of a terminal at the Chabahar port and its strategic significance.

**For Prelims:** [Chabahar port](#), [Shahid Beheshti Terminal](#), [Strait of Hormuz](#), [International Transport and Transit Corridor](#), [China's String of Pearls](#), [Yemen crisis](#), [Suez Canal](#), [Red Sea](#), [Chabahar-Zahedan railway project](#).

**For Mains:** Significance of Chabahar Port for India, Major Challenges India Faces with the Chabahar Port Project.

The recent signing of a **10-year contract** between **India and Iran** for the operation of a terminal at the strategically located [Chabahar port](#) marks a significant milestone in India's efforts to expand its connectivity and influence in the wider Central Asian region. Under the pact, India will invest around **USD 120 million to develop and operate the [Shahid Beheshti Terminal](#)** in Chabahar besides offering a credit window of \$250 million for infrastructure upgradation.

However, India's involvement in Chabahar Port faces challenges despite its strategic value. To succeed, India needs **diplomatic finesse, infrastructure upgrades, and diverse connectivity options**.

### What is Chabahar Port Project?

- Chabahar, which in Persian means **‘four springs’**, is a deep-water port in the **Sistan Baluchistan** province of Iran.
  - Located in the open sea, it provides easy and secure access for large cargo ships.
  - Described by 10th century Iranian scholar **Al Biruni** as the **entry point to the subcontinent**, it is close to the **Gulf of Oman** as well as the [Strait of Hormuz](#).
  - It is just about 550 nautical miles from Kandla port in Gujarat, India.
- The Chabahar port comprises two terminals: the **Shahid Beheshti and Shahid Kalantari**.
  - India's investment is only in **Shahid Beheshti terminal**.
  - The development of the port is being done in four phases. On completion, its capacity will be **82 million tonnes per year**.

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# BEING DIRECT: INDIA TO CHABAHAR



## What is the Timeline Related to the Development of Chabahar Port?

- **Geopolitical Shift and Trade Route Focus (1990s-2000s)**
  - **1990s:** India's strategic shift towards trade routes as a central element of its geopolitical strategy.
  - **Late 1990s:** Enhanced cooperation between India and Iran amid the **rise of the Taliban in Afghanistan.**
- **Early Engagement and Strategic Cooperation (2002-2003)**
  - **2002:** Discussions between India and Iran started for developing Chabahar Port. It aligned with India's growing economic needs and desire for alternative trade routes to Central Asia, bypassing Pakistan.
  - **2003:** India and Iran signed a roadmap for strategic cooperation, including the

development of Chabahar Port.

- However, the US labeling Iran as part of the "**Axis of Evil**" under President Bush led to pressure on India, stalling significant progress.

▪ **Developmental Progress and Agreements (2010 Onwards)**

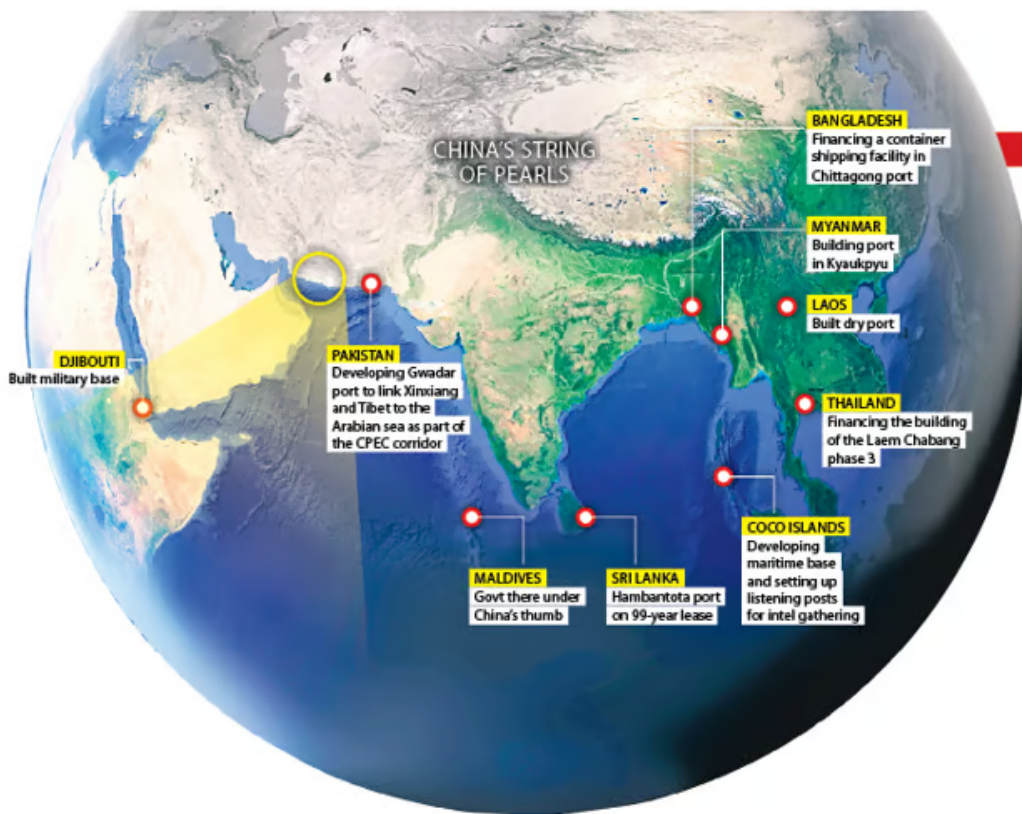
- **2010s (Early):** India remains committed to Chabahar and invests in a **218-km road connecting Delaram, Afghanistan, to Zaranj** on the Iran-Afghan border to improve access. However, the overall project development remains slow.
- **2015:** Breakthrough in talks between **Iran and the P-5+1 powers**, paving the way for progress in Chabahar.
- **2016:** Signing of the **Trilateral Agreement among India, Iran, and Afghanistan**, establishing the International Transport and Transit Corridor and fast-tracking Chabahar's development.
- **2017:** Inauguration of the first phase of **Shahid Beheshti terminal**, marking a significant milestone in Chabahar's operationalization.
  - India sends its first shipment of wheat to Afghanistan via Chabahar, demonstrating the port's functionality.
- **2015:** Incorporation of **India Ports Global Limited (IPGL)** as a key player in Chabahar's development, aligning with India's strategic objectives.
- **2018:** IPGL takes over Chabahar operations, leading to substantial cargo handling and humanitarian aid efforts through the port.
- **2021:** It was used to supply environment-friendly pesticides to Iran.

▪ **Current Development (Present):**

- India and Iran signed a **10-year contract for IPGL to operate a terminal at Chabahar Port**. This signifies India's long-term strategic and economic commitment to the development of Chabahar.

## What is the Significance of Chabahar Port for India?

- **Counterbalancing China's String of Pearls Strategy:** China has established strategic facilities in various locations like Chittagong, Karachi, and Gwadar (**Pakistan**), Colombo and **Hambantota (Sri Lanka)**, and **Kyaukphyu (Myanmar)**.
  - While presented as commercial projects, these could swiftly transform into Chinese naval bases in a conflict involving India.
  - Chabahar serves as a strategic counterweight for India as a part of the **Necklace of Diamond** Strategy. It allows India to monitor Chinese activities in the region and potentially disrupt [China's "String of Pearls" encirclement strategy](#).



- **Ensuring Connectivity amid West Asian Turmoil:** The ongoing conflicts and tensions in the West Asian region, such as the [Yemen crisis](#) and the recent escalation between **Iran and Pakistan**, have disrupted vital maritime trade routes.
  - Chabahar provides India with an **alternative route for its commercial interests**, reducing dependence on traditional chokepoints like the **Strait of Hormuz**.
- **Enhancing India's Role in the New Great Game:** The race for influence in Central Asia, often referred to as the "[New Great Game](#)," has intensified with the involvement of global powers like **China, Russia, and the US**.
  - Chabahar strengthens India's position in this geopolitical contest, allowing it to leverage its economic and strategic interests in the region.
- **Facilitating India's Extended Neighborhood Policy:** Chabahar aligns with India's "**Extended Neighborhood Policy**," which aims to enhance its influence and engagement in regions beyond its immediate neighborhood.
  - The port serves as a strategic gateway to Central Asia, enabling India to project its soft power and economic clout in the region.
- **International North-South Transport Corridor (INSTC):** Chabahar is a key link in the INSTC project, which aims to reduce transportation time and costs for the movement of goods between **India, Iran, Afghanistan, Russia, and Europe**, compared to traditional routes like the [Suez Canal](#) which has recently become an international issue related to transit.
  - According to industry estimates, shipments through the INSTC route will take **15 days less compared to the Suez Canal route**.

## Note

Apart from developing the Chabahar port in Iran, India is constructing a deep sea port in **Sabang, Indonesia**, and will assist Bangladesh in revamping the seaport in Mongla. In 2016, India constructed a deep water port in **Sittwe, Myanmar**.

## What are the Major Challenges India Faces with the Chabahar Port Project?

- **Navigating the India-U.S.-Iran Triangle:** As [U.S.-Iran tensions](#) oscillate, India faces the challenge of ensuring that its **investments in Chabahar do not invite secondary sanctions from the U.S.**, which could jeopardize its broader economic and strategic ties with the US.
  - Also, New US sanctions on **Iran** (due to its drone strikes on Israel), increase the older risk of companies avoiding involvement in Chabahar.
- **Unstable Political Environment in Iran:** Iran's political instability and internal conflicts can disrupt project continuity.
  - **Israel's continuing war in Gaza** and the extensive disruption to maritime trade in the [Red Sea](#) caused by Iran-backed armed groups, increase regional instability.
  - According to a World Bank, **Iran ranks 127th out of 190 countries** in the Ease of Doing Business, reflecting its challenging business environment.
- **Iran's Openness to China and Pakistan:** Iran itself has remained open to **Chinese and Pakistani investment** in Chabahar along with India.
  - For instance, India's withdrawal from the [Chabahar-Zahedan railway project](#) in 2020 was indirectly attributed to Iran's exploration of a 25-year agreement with China (comprising USD 400 billion for infrastructural development).
- **Reconciling Divergent Regional Priorities:** India's involvement in Chabahar could potentially strain its relations with key regional players like **Saudi Arabia and Israel, who view Iran as a destabilizing force in the region.**
- **Environmental Concerns:** The delicate ecosystem of the **Gulf of Oman**, where Chabahar resides, is vulnerable to pollution from increased shipping traffic and potential [oil spills](#).
  - Unlike concerns about competition or sanctions, **environmental issues can garner international criticism** and complicate project financing if not addressed proactively.

### What Measures can India Adopt to Curtail Issues Related to Chabahar?

- **Multilateral Financing Mechanism:** India could explore setting up a multilateral financing mechanism involving like-minded countries to fund the Chabahar project.
  - This could involve countries like **Russia, or even some European nations** that have an interest in the **International North-South Transport Corridor**.
  - A diverse group of investors could help insulate the project from the risks of unilateral sanctions or political pressures.
- **Regionalize the Project:** Rather than being seen as a strictly bilateral India-Iran initiative, India could work towards **regionalizing the Chabahar project**.
  - This could involve inviting regional players like the Central Asian nations to participate in the development and operation of the port.
  - Their involvement could help mitigate concerns about Iran's destabilizing influence and potentially ease tensions with these nations.
- **Green Shipping Corridor:** India could position Chabahar as a pioneer in establishing a "**Green Shipping Corridor**" in the region.
  - By implementing stringent environmental standards, adopting green technologies, and promoting sustainable practices, the port could attract international support and financing from institutions focused on environmental sustainability.
  - This could help counter concerns about the ecological impact and garner broader backing.
- **Digital Silk Road:** In addition to its physical connectivity objectives, India could leverage **Chabahar to establish a "Digital Silk Road" in the region**.
  - This could involve developing digital infrastructure, promoting e-commerce, and enabling cross-border data flows along the INSTC.
  - Such a **digital component could attract investments** from technology companies, diversifying the project's stakeholders and reducing reliance on traditional players affected by geopolitical tensions.
- **Soft Power Diplomacy:** India could complement its economic efforts with soft power diplomacy in the region. This could involve cultural exchanges, educational partnerships, and people-to-people initiatives involving countries along the INSTC route.
  - Such efforts could help **build goodwill, foster understanding, and potentially ease geopolitical tensions** that could impact the Chabahar project.

**Drishti Mains Question:**

Explain the strategic importance of Chabahar Port Project for India, outlining the obstacles encountered and potential solutions for ensuring its success.

## UPSC Civil Services Examination, Previous Year Question (PYQ)

### ***Prelims***

**Q. What is the importance of developing Chabahar Port by India? (2017)**

- (a) India's trade with African countries will enormously increase.
- (b) India's relations with oil-producing Arab countries will be strengthened.
- (c) India will not depend on Pakistan for access to Afghanistan and Central Asia.
- (d) Pakistan will facilitate and protect the installation of a gas pipeline between Iraq and India.

**Ans: (c)**

### ***Mains***

**Q. In what ways would the ongoing U.S-Iran Nuclear Pact Controversy affect the national interest of India? How should India respond to this situation? (2018)**

**Q. The question of India's Energy Security constitutes the most important part of India's economic progress. Analyse India's energy policy cooperation with West Asian countries. (2017)**

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