



## Chabahar Port & US Sanctions

**The strategic Chabahar port project, being developed by India in Iran, is a separate exception and will not be impacted by U.S. President Donald Trump's decision of not to renew exemptions that let eight countries including India to buy Iranian oil without facing tough American sanctions.**

The Chabahar port, considered a gateway to golden opportunities for trade by India, Iran and Afghanistan with central Asian countries, is located in the Indian Ocean in the Sistan and Baluchistan province of Iran. The port, which is easily accessible from India's western coast, is increasingly seen as a counter to Pakistan's Gwadar Port which is being developed with Chinese investment.

President Trump has decided not to grant sanctions' exemptions to any oil customers of Iran, further squeezing Tehran's top export commodity. The U.S. move, seen as an escalation of the Trump administration's "maximum pressure" on Iran, comes after it gave temporary 180-days waiver to eight countries, including India.

### Possible reasons behind exempting the Chabahar Port

- U.S.A's acceptance that **Chabahar port** project is not just only in India's or Iran's strategic interest but also in **Afghanistan's strategic interest**.
  - Afghanistan is a landlocked country which depends on Pakistan for trade. All its trade goes largely through the Pakistani ports.
  - Pakistan denies transit to India for trade with Afghanistan and Central Asia.
  - This project provides Afghanistan a strategic alternative and helps it to escape being landlocked in a sense.
- **The project meshes with U.S.A's overall policy to give India an important role in Afghanistan.**
- Around 70,000 **American NATO contractors in Afghanistan face problem in sending supplies through Pakistan** because of not only their bilateral problems with Islamabad regime but also due to payment issues.
  - American law doesn't allow payment for transit facilities, so the Americans try to compensate through other aspects of military aid but the maximum they have been giving is only 150 million dollar whereas Pakistan has been asking for almost 800 million dollars.
- Like North Korea, **America does not want to close all options with Iran**. In fact, America is looking forward to negotiating new terms and conditions with Iran.
- However, there is a concern that **commercial viability of the project can get impacted if there will be no movement of energy supplies through it**.
  - **It, still, will be available for use for non-oil products.**

### Chabahar Port vis-a-vis Gwadar Port

- The volume of trade which is going through gwadar port is minimal.

- Karachi (Pakistan) still holds upto 90-95% of trade.
  - Connectivity via Gwadar to the inland region is still not there.
- **China sees the Gwadar port as a base from where it can have naval facilities.**
  - Control over **Gwadar secures China's energy resources** that come from the gulf regions.
- Iran has a long term plan for Chabahar; it is planning to develop a free trade zone like the Jebel Ali free zone in UAE. Many Indian and Chinese companies have already started showing interest in the Iran's free trade zone.
- **Chabahar Port provides an option of alternate supply route to everyone**, thus reducing the importance of Pakistan with respect to trade.
- **For India, Chabahar port** is an economic facility by which it **can keep an eye on the happenings in Gwadar**. Also, it gives India, **direct access to Afghanistan and other Central Asian Republics**.
  - UAE is not happy about India's links with Chabahar. It has a concern that trade through Chabahar might impact the volume of trade that passes through its Dubai port.
- If in future, issues between America and Iran get resolved, then Chabahar Port will enable America to bypass Pakistan.
  - Pakistan still controls all the administrative routes by which Afghanistan can be supplied. America has always remained hesitant to act on terrorists, specifically Afghan Taliban, due to that. **Chabahar Port gives an option to America to take action against such terrorists.**

## Impact of non-renewal of exemptions on India:

### Economic Aspect:

- **Iranian oil is comparatively cheaper** as India gets discounts and also, a longer credit period.
- Refineries in India are geared to handling the Iranian oil, so, switch to any other oil, will impose costs on India.

### Geopolitical Aspect:

- India will need to balance its strategic relationship with U.S.
- U.S. is now putting more pressure on Pakistan with regard to terrorism, this will help India in securing its citizens.
- India's own economic interests with respect to the Iranian oil.
- India is a growing economy; U.S. would hardly like to risk its relations with India.

## Rise in prices of oil that will affect India as well as other countries:

- It is possible that Saudi Arabia along with Russia may not be able to increase the oil production upto the level of demand.
- Also, there is a limit on the extent to which America can supply its shale gas to the world.

## Impact on India-Iran relationship:

- India and Iran have a stable relationship.
- Iranians are quite aware of India's concerns.
- **India has a strong technological, military and nuclear cooperation with U.S. Jeopardising all these things for friendship with Iran is difficult for India.**

## Possibility of increased role in Afghanistan:

- Once America withdraws its troops from Afghanistan, it is in America's interest that India, rather than China, provides administrative support to Afghanistan.

Though India has told America that it will stop buying oil from May 2<sup>nd</sup>, but it is still considering having discussion with U.S. on this. Much will depend on what Russia and China are going to do i.e whether they will go along with the sanctions or not. Also, the fact that countries like Turkey have been buying and supplying oil in the black market, gives a filip to India's demand for exemption with respect to oil imports from Iran.

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