



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**.

//

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)**

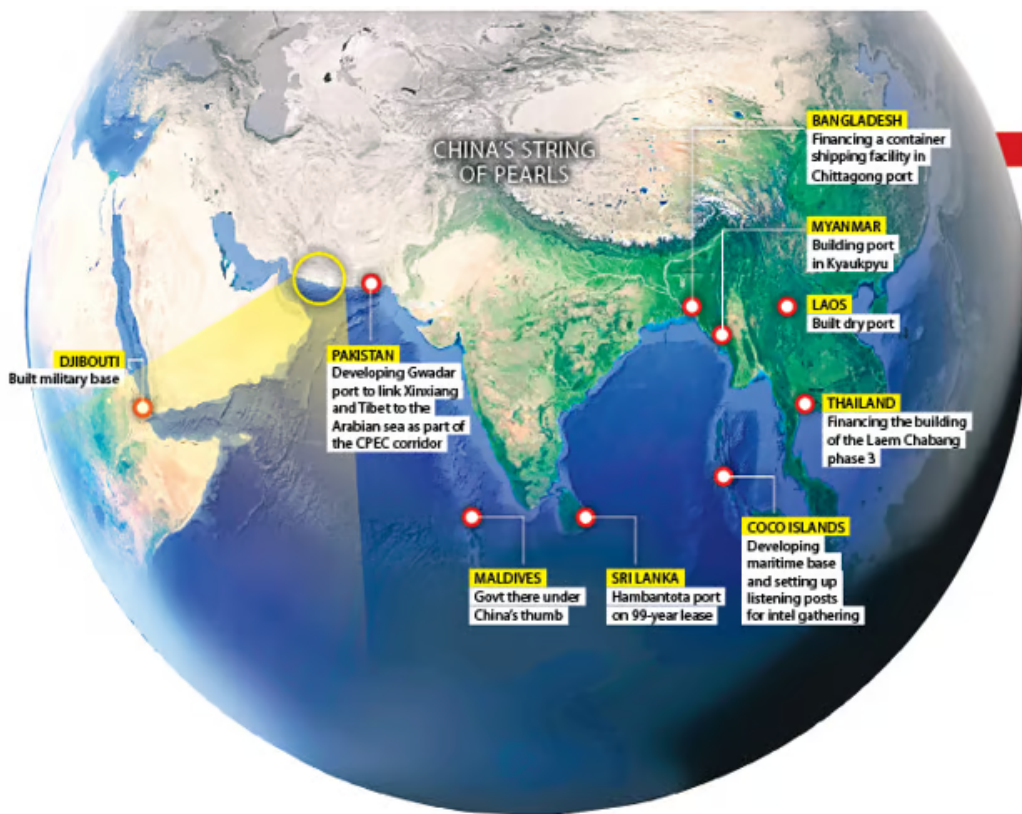
- **2010s (Early):** India remains committed to Chabahar and invests in a **218-km road connecting Delaram, Afghanistan, to Zaranj** on the Iran-Afghan border to improve access. However, the overall project development remains slow.
- **2015:** Breakthrough in talks between **Iran and the P-5+1 powers**, 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)

PDF Reference URL: <https://www.drishtiias.com/printpdf/india-s-strategic-investment-in-chabahar>