

CHABAHAR PORT: POLITICAL AND ECONOMIC CONSIDERATIONS

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Abstract: In May 2016 India, Iran and Afghanistan signed a trilateral agreement to develop a transport corridor from Chabahar port in Iran to Afghanistan, marking the culmination of over a decade of Indian hopes for an alternate land route to Central Asia. Chabahar port is a deep water harbour located in south-eastern Iran on the Gulf of Oman. The Agreement entails establishment of Transit and Transport Corridor among the three countries using Chabahar Port as one of the regional hubs for sea transportation in Iran, besides multi-modal transport of goods and passengers across the three nations. India faces considerable hurdles in trade with Afghanistan and other landlocked Central Asian countries as the route to this region is blocked by unreliable access through Pakistan. India is investing \$500 million to build new terminals, cargo berths at Chabahar port and connecting road and rail lines, as parts of its strategy to improve linkages not just with Afghanistan, but also to resource-rich Central Asian republic nations. The strategic Chabahar port route is a significant step in bolstering trade with Kabul that has been hampered because rival Pakistan does not allow India to transport goods to Afghanistan through its territory. The Chabahar port, located in the Sistan-Balochistan province of Iran's southern coast, is seen by some as a counter to Pakistan's Gwadar Port which is being developed by China as part of CPEC (China Pakistan Economic Corridor). Apart from political and economic benefits of developing this port to India, Iran stands to benefit considerably as it tries to join the economic mainstream after remaining under embargo for many years. The route is also likely to help reconstruction efforts of Afghanistan and ensure long run stability in the region. To ensure the viability of the project in the long run the countries of Iran, Afghanistan, India and central Asian nations will have to bolster their cooperation and trade through trade agreements.

IndexTerms - Chabahar port, Indo-Afghan Trade, Afghanistan, Routes to Afghanistan, Iran, Central Asian Countries

I. INTRODUCTION

The Indian quest for trade route to Afghanistan and Central Asia which started many years back finally seem to be taking shape. More than a decade after the plans for a port in Iranian province of Sistan-Balochistan was planned that would give India an access to landlocked Afghanistan and further to Central Asian countries, a historical agreement was signed on May 23, 2016 in the presence of Indian Prime Minister Narendra Modi, Iranian President Hassan Rouhani and Afghanistan President Ashraf Ghani in Iran. The government of Iran has designated Chabahar as a Free Trade and Industrial Zone and the port is 950 km. away from Milak near Afghan border. Earlier India and Iran had signed an agreement to develop this port way back in 2003 but progress was slow as it was hindered by US sanctions on Iran. India has been involved in various infrastructure projects like dams and highways in the war torn Afghanistan and in the year 2009, it had invested \$135 million to build Zaranj- Dilaram highway in Afghanistan that connects Kabul- Herat Highway to Chabahar port.

On December 3, 2018 Iranian President Hassan Rouhani inaugurated the first phase of Chabahar port, an newly constructed extension to Chabahar Port. For India and Afghanistan the project is of special significance due to good political, cultural and trade ties between the countries. While the trade route through Wagah border and Tokaram which runs through Pakistan is the shortest land route to trade between India and Afghanistan, current Pakistani policies do not permit India to make any exports through Pakistani territory and Afghanistan is only allowed to send a limited amount of perishable goods. In November 2017, India for the first time used Chabahar port to send wheat to Afghanistan which received wide media coverage as it highlighted the opening of a new corridor to the land locked country. The Chabahar port is expected to be functional by 2018.

II. OBJECTIVES OF STUDY

- 1) To assess the political implications and economic benefits of Chabahar Port
- 2) To assess the prospects of India's trade with Afghanistan, Iran and Central Asian Countries using Chabahar Port corridor.
- 3) Identify the key drivers and risks for Chabahar port corridor as a trade route to Afghanistan and Central Asian nations and its comparison with other alternative routes.

III. SOURCES OF DATA

This paper has collected the secondary data related to Export and Import from India to various Central Asian countries from Department of Commerce, Government of India website which provides information on all aspects of Trade including annual data of Export Import. As a part of this study, we have gone through various research papers and articles written on Chabahar port and its comparison with Gwadar Port being developed by China in Pakistan. We have also referred to the World Bank trade statistics on Exports, Imports, Products, Tariffs, GDP and Related Development Indicator data On Afghanistan.

IV. INDIA'S TRADE WITH AFGANISTAN AND CENTRAL ASIAN COUNTRIES

Central Asia stretches from the Caspian Sea in the west to China in the east and from Russia in North till Afghanistan in the south and consists of five republics of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. Afghanistan which is in strict sense a part of South Asia is also sometimes included in Central Asia. All these nations have vast tracts of land but are sparsely populated. While Afghanistan has a population of about 35 million people, all the five central Asian nation together have population of around 70 million people. Since the Central Asian states were earlier a part of the Soviet Union, India had links with the region and even had a consulate at Tashkent which lies in the erstwhile Central Asian region of Soviet Union. After the breakup of the Soviet Union, there has been an impasse in India's relations with this

region. Central Asian countries are rich in hydrocarbon and uranium resources which could serve the needs of a rapidly industrializing Indian economy and nuclear-energy program. Further India has a special bond with Afghanistan and nurturing good political relations with all these countries can help to ward off not only Pakistan but also increasing Chinese influence on the region.

While Central Asian countries can be seen as India's extended neighborhood, Afghanistan has much stronger ties with India and Afghanistan have close economic, cultural and political relations with India. The relations between India and Afghanistan can be traced back to the Indus valley civilization and common rulers who ruled the Indian subcontinent thereafter. Given its fragile relations with Pakistan and threat from terrorist networks that operate from bordering areas of Afghanistan and Pakistan, India apart from trade considerations has enormous security stakes in the stability of Afghanistan. India's trade with these nations has been miniscule as indicated in Table 1.

Figures in US \$ for Fiscal 2016-17				
Country/Particulars	Imports	Exports	Total Trade	% of Total India's Trade
KAZAKHSTAN	521.29	120.88	642.17	0.097%
KYRGHYZSTAN	1.48	30.44	31.92	0.005%
TAJAKISTAN	21.82	20.44	42.26	0.006%
TURKMENISTAN	21.32	57.6	78.92	0.012%
UZBEKISTAN	46.54	108.97	155.51	0.024%
Sub Total Central Asian countries	612.45	338.33	950.78	0.144%
AFGANISTAN	292.9	506.34	799.24	0.121%
Total for India with all Countries	384355.56	275851.71	660207.27	

Table 1 : India's Trade with Central Asian Countries

V. CHABAHAR PORT: PROGRESS AND ROADMAP

The Chabahar port was partially built by India in the 1990s. It was the period when both India and Iran backed the Northern Alliance forces in Afghanistan which were led at one time by mujahidin commander Ahmad Shah Massoud in its battle with the Taliban for control over the country. An initial pact to build the Shahid Beheshti Port at Chabahar port was first inked in 2003, but no progress could be made as sanctions against Iran came into effect which made difficult to source equipment required from the international vendors for developing and operating the port. The decks were cleared for the Chabahar port after Tehran signed the nuclear pact, formally known as the Joint Comprehensive Plan of Action, with Washington and five other major powers in 2015 agreeing to restrict its nuclear program in return for easing crippling economic sanctions.

Iran and India revived the deal and after some initial differences over ownership of the project, the contract was deemed ready between India's consortium of JNPT (Jawahar Lal Nehru Port Trust), Kandla Port Authority and Iranian authorities. Consequently Indian, Iran and Chabahar port signed a trilateral agreement to develop Chabahar port in May 2016. This agreement was signed when the Indian Prime Minister Narendra Modi and Afghan President Ashraf Ghani paid a state visit to Iran. The deal stipulates the development and operation of two terminals and three berths at the port with cargo handling capacities for 10 years.

Based on the agreement, Iran is to provide land in Chabahar Special Economic Zone to Indian companies for setting up petrochemical, fertilizer and other gas-based industries. India on its part also agreed to build a 500-km railroad link from Chabahar to Zahedan, the provincial capital of Sistan-Baluchestan in Iran and which lies on the Iran-Afghan border. The rail route is being built by IRCON, India's state-owned company at a cost of \$1.6 billion. This rail link shall form part of the transit corridor to Afghanistan. It is planned to link the road link from Chabahar to Zahedan in Iran to Zaranj in Afghanistan. Thus the cargo from Chabahar port in Iran can be transported to Zaranj in Afghanistan over this 1,380-km railroad link and vice versa. Soon after signing of the agreement, India in July, 2016 began shipping rail tracks to Chabahar port to develop the port container tracks and build the Chabahar-Zahedan railway line.

Chabahar port is a prestigious and important project for Iran and involves the development of this port in five stages. After the first stage itself, it is expected that the port capacity of Chabahar port will equal to that of all the northern ports of Iran put together. The first phase of the Chabahar port developed in cooperation with India was inaugurated by Iran's President Hassan Rouhani on Dec. 3, 2017. Chabahar is Iran's only port outside the Gulf with access to the Arabian Sea and consists of two separate ports viz. Shahid Kalantari and Shahid Beheshti. The opening of the first phase of Shahid Beheshti Port which has tripled its capacity to 8.5 million tons will allow the docking of super-large container ships (between 100,000 DWT and 120,000 DWT) and increase India's connectivity with Afghanistan.

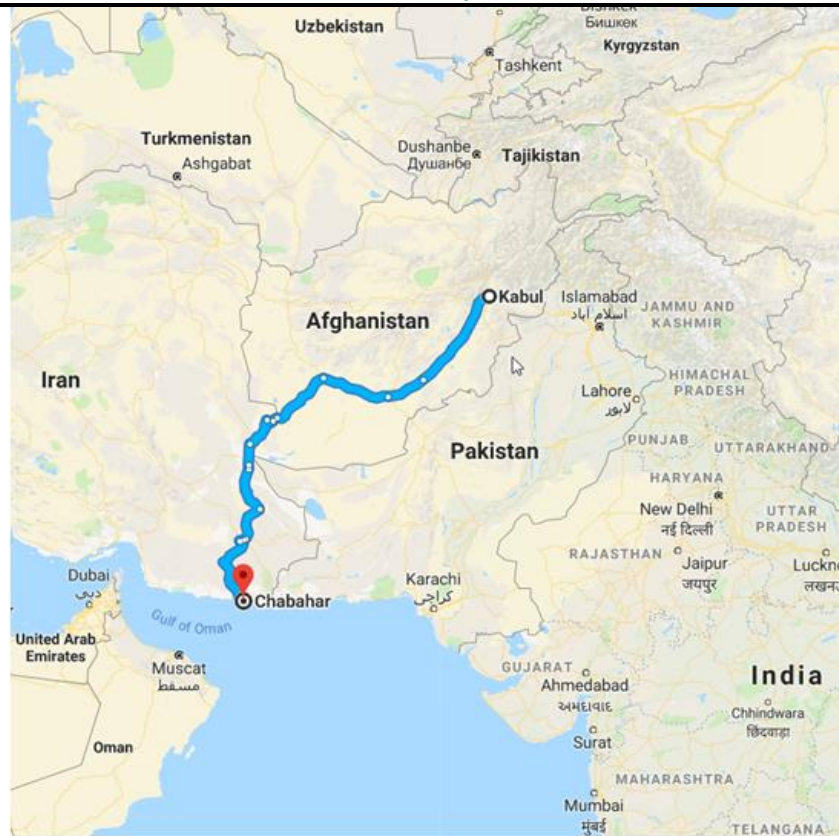


Figure 1 : Chabahar Port Map

In October/ November 2017, first shipment of 15,000 tons wheat from India to Afghanistan made its way through the Chabahar Port and arrived in Afghanistan. This was an important event as it marked the operationalization of the Chabahar port as part of the transit trade agreement signed by the three countries. Further on December 02, 2017, President Hassan Rouhani of Iran inaugurated the first phase of Chabahar's Shahid Beheshti Port in the presence of dignitaries from 17 countries. In the President's words, the inauguration of the first phase of Shahid Beheshti Port marks a historic day for Iran. The port is expected to be operational by the end of 2018 with New Delhi and Iran committed to develop the transit route and also developing a free trade area around the port. The US \$1.6 billion railway line to Zahedan being financed by India shall complete this transit route to Afghanistan.

VI. CHABAHAH PORT: POLITICAL IMPLICATIONS

India, Iran and Afghanistan had earlier shared a common vision in Nineties as the Northern Alliance in Afghanistan was engaged in a ferocious battle against Taliban. This route which runs through Chabahar port and connects the three countries is indicative of growing convergence of Political and economic interests among these nations. With constant flip flops from Pakistan on permitting trade with Afghanistan through its territory, India has long regarded, Iran as a crucial part of its Afghanistan strategy. Further Iran is important to India as it has been meeting India's burgeoning Energy needs.

Though US relations with Iran continue to be a matter of concern, it is expected that US will not come in the way of this infrastructure development as besides Iran, Chabahar port will help to provide an access to war torn Afghanistan and help to restore political stability in the country. While Afghanistan and Iran are expected to be the biggest beneficiaries of this development of transit route, India is also guided by political exigencies as Gwadar port which is only 80-90 km. away from the Chabahar port is being developed by China as part of CPEC and there is a potential that it could in future be used to service Chinese Navy vessels. While India may not enjoy similar facilities from Iran, Chabahar Port gives India a strategic foothold in the region. The project in south-eastern Iran is significant in the long run and has the potential of not only acting as a transit route between India, Iran and Afghanistan, bypassing Pakistan but may also give India transit to Central Asian countries, Russia and even other parts of Eurasia and thus forge good economic and political relations with these nations.

VII. CHABAHAH PORT AND THE TRANSIT CORRIDOR: ECONOMIC BENEFITS

There are three alternative transit routes which countries not sharing a border with Afghanistan and Central Asian countries can use for trade with these countries. In this study the emphasis is on trade with Afghanistan. The most widely used transit route goes through Karachi port in Pakistan. This is the most established route but faces delays and enhanced risks as the route passes through the restive Khyber Pakhtunkhwa state in Pakistan. Many times militants target cargo trucks near Torkham, a city which is a major border crossing between Pakistan and Afghanistan and connects Nangarhar province of Afghanistan with Pakistan's Federally Administered Tribal Areas (FATA) and Khyber Pakhtunkhwa. Further due to ongoing disputes between Afghanistan and Pakistan, many times cargo trucks line up at this border for days together. This route is approximately 1,000 miles long and connects Karachi to Kabul in North Afghanistan. Another road from Karachi passes through Baluchistan Province and crosses the border at Chaman in Pakistan, and ends at Kandahar which lies in south Afghanistan.

The second transit route which is less used is the Northern Distribution Network (NDN) which runs southwards from Russia, Kazakhstan, Uzbekistan and Tajikistan. There are several different routes included in the Northern Distribution Network. The most commonly used route, though also happens to be one of the longest, starts at the port of Riga, Latvia on the Baltic Sea, and passes through Russia, Kazakhstan and Uzbekistan before reaching Afghanistan's northern border at Termez. Further the goods have to be moved across the Salang Tunnel which is 1.5 miles long and situated at a high altitude in the Hindu Kush range of mountains and serves as the link between North and south Afghanistan. There are other routes also in NDN (Northern Distribution Network) which involve goods being ferried across the Caspian Sea and the ones that avoid going through the volatile regions of Uzbekistan. NATO (North Atlantic Treaty Organization) has frequently used this route to move arms,

Food and ammunition for its troops in Afghanistan. Afghanistan also borders Turkmenistan, Uzbekistan, and Tajikistan and so alternate supply routes exist to move supplies into Afghanistan through these countries. However, these routes are longer and costlier than the routes through Pakistan. On the other hand these routes are far less dangerous than the supply routes that go through Pakistan. However as they pass through several countries they are not suited for business purpose as it will involve the Afghan government to sign a pact/treaty with several countries. Further Afghanistan is having a flip flop relation with Russia which limits use of this route and thus it is not an optimal route for trade with Afghanistan,

The third viable alternative trade route for Afghanistan and the focus of this study is the Chabahar port route which is through Iran. At present all trade to Afghanistan though the sea route are mainly routed through Karachi Port and in some cases through Shahid Rajaei Port, Bandar Abbas which is at present, Iran's biggest container port and lies at the mouth of the Strait of Hormuz. As per the assessment by the director general of Ports and Maritime Organization of Sistan-Baluchestan Province, Mr. Behrouz Aqaei, transit via Chabahar's Shahid Beheshti Port will be 15 million rials (\$375) cheaper than Iran's existing Shahid Rajaei Port for each 20-foot container. Further the cost are likely to \$1,000 lower if transported through Chabahar port to Afghanistan compared with the Pakistan route from Karachi to Afghanistan via Tohram/Chaman. The cost through Pakistan's Karachi Port is higher due to security related expenses and concerns as well as overcrowding.

While ports of Karachi in Pakistan are overburdened with severe congestion, and lack infrastructure, Chabahar is less crowded, and strategically well positioned for Afghan imports and exports. Iran and India are building a highway and a railroad system that leads from the port into Afghanistan. The Iranian trade route is very cost effective and short distanced, as compared to that of Pakistan. However Iran's continuing animosity with US in the region limit its use for trade purpose only and for non US Traffic. This route is less dangerous and more reliable. Given the impetus given by the three nations i.e. Iran, Afghanistan and India to this route and the infrastructure planned, this route is likely to emerge as a viable and economic means for transport of goods to Afghanistan and even beyond

Further India's steely resolve to help build Afghan Infrastructure is reflected in Zaranj-Delaram road constructed by India in 2009 which can give access to Afghanistan's Garland Highway which will eventually allow access to Herat, Kandahar, Kabul and Mazar-e-Sharif, the top four cities in the country. There were substantial casualties at the time of building of this road as Taliban was opposed to setting up this Road. The road was completed despite repeated attacks in which both Afghan workers and some Indians lost their lives.

A look at trends in Indian Exports to Afghanistan and Central Asian countries indicates that this has not shown any growth for years now. These figures from the fiscal 2012-13 to Fiscal 2016-17 along with yearly as well as Compounded Annual Growth Rate (CAGR) are shown in Table 2.

Figures in US \$

Country/Year		2012-13	2013-14	2014-15	2015-16	2016-17	CAGR %
AFGANISTAN	Exports	472.63	474.34	422.56	526.6	506.34	1.74%
	% Share of Total Exports	0.1573	0.1509	0.1362	0.2008	0.1836	
	% Growth Yearwise		0.36%	-10.92%	24.62%	-3.85%	
KAZAKHSTAN	Exports	286.23	261.51	250.68	151.91	120.88	-19.39%
	% Share of Total Exports	0.0953	0.0832	0.0808	0.0579	0.0438	
	% Growth Yearwise		-8.64%	-4.14%	-39.40%	-20.43%	
KYRGHYZSTAN	Exports	34.99	34.54	37.76	25.11	30.44	-3.42%
	% Share of Total Exports	0.0116	0.011	0.0122	0.0096	0.011	
	% Growth Yearwise		-1.29%	9.32%	-33.50%	21.23%	
TAJIKISTAN	Exports	35.16	54.27	53.71	22.26	20.44	-12.68%
	% Share of Total Exports	0.0117	0.0173	0.0173	0.0085	0.0074	
	% Growth Yearwise		54.35%	-1.03%	-58.56%	-8.18%	
TURKMENISTAN	Exports	69.92	91.98	73.62	68.53	57.6	-4.73%
	% Share of Total Exports	0.0233	0.0296	0.0234	0.0261	0.0209	
	% Growth Yearwise		31.55%	-19.96%	-6.91%	-15.95%	
UZBEKISTAN	Exports	124.9	114.07	170.44	94.64	108.97	
	% Share of Total Exports	0.0416	0.0363	0.0549	0.0361	0.0395	
	% Growth Yearwise						
Total Exports from India		3,00,400.58	3,14,405.30	3,10,338.48	2,62,290.13	2,75,851.71	-2.11%

Table 2 : Trend in India's Export to Afghanistan and Central Asian Countries

There are estimates by several authors and agencies that India's trade with Afghanistan and other central Asian countries can grow manifold if a reliable transit route is available for the trade. There is considerable imbalance in India's trade with Afghanistan due to stone walling by Pakistan. While India is the second largest importer of goods from Afghanistan, it does not enjoy such a standing as an exporter as it is not able to export goods to Afghanistan due to prohibitory policies of Pakistan.

VIII. CHABAHAR PORT: RISKS

The continuing bad relations between Iran and USA may continue to overshadow the corridor being developed through the Chabahar port. While at this stage US does not seem to be coming in the way of this corridor and is taking a larger view that it will help the war torn Afghan economy, any further escalation with Iran cannot be ruled out. Further Afghanistan has already warned India that the Taliban could attack trucks carrying Indian exports to Afghanistan. This warning has been given as the Taliban has presence in most of the districts to the east or west of Delaram, the terminus of the Indian-built highway from Iran. While the entry into Afghanistan is relatively safe, the goods traveling to Kabul or Herat will have to pass through some dangerous areas and considerable security arrangement may have to be made.

Besides these geopolitical risks, the biggest risk to Chabahar port project comes from failure to attract sufficient volume of trade and traffic at the port and all involved nations will have to work on this as this corridor can serve as a lifeline for their trade with the rest of the world.

IX. CONCLUSION

Even as Afghanistan and India enjoy cordial relationships, the trade between the two nations has been hampered by their troubled relations with Pakistan. Similarly India's trade with the landlocked Central Asian nations of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan is very miniscule despite these nations being rich in Energy Resources and Uranium. Linking the Indian ports like Kandla or Mumbai with a deep sea water port at Chabahar in Iran and rail /road network thereafter can significantly enhance trade to these countries and also boost India's relations with Afghanistan and these five Central Asian Nations which at one time were part of erstwhile Soviet Union and enjoyed some degree of relations with India.

China has been very aggressively developing ports as a part of China's string of pearls strategy and China-Pakistan Economic Corridor with strategic port at Gwadar in Pakistan pose real time security challenges to India's strategic interests in the region. India's entry at Iranian port which is strategically located around 80 km from Gwadar port will help to checkmate the growing Chinese influence in the region.

Apart from political gains, the Chabahar port initiative is expected to reduce the cost of transit and transportation of goods to Afghanistan and beyond. The use of Chabahar for wheat transshipment in October / November 2017 by India to Afghanistan indicates the readiness of three involved nations to develop this trade route at the earliest. The Chabahar port can also be used by Iran/India to station security vessels for merchant ships off the African coast and also improve the trade of Energy, Petrol and Gas products amongst them.

From an Iranian perspective there is much to gain by way of economic activity that shall result due to Chabahar port economic corridor. Further this project has special significance for Iran as it tries to come out of the shadows of years of embargo and tries to attract foreign investment. The benefits to Afghanistan are also enormous as being a land-locked and impoverished country; Afghanistan is totally dependent upon Pakistan as a transit point to other destinations. Pakistan has often used this leverage as a tool for negotiation and coercion. Pakistan has on multiple occasions, closed Torkham border check post with Afghanistan on various pretexts. Chabahar port will give Afghanistan a much needed lifeline and reduce its dependence on Pakistan and increase its bargaining power.

The project is not free from risks, given the thorny relations between Iran with US and continuous volatility in Afghanistan and thus the project may deliver the goods only in the long run. Long term stability in the Afghan region, port traffic and trading volumes are the key to ensure the viability of the project. Iran, Afghanistan, India and central Asian nations may have to bolster their cooperation and trade through trade agreements to make this project a success which has the potential to act as a game change for the region as a whole.

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