Abating India-Iran Chabahar Partnership: Prospective Leverage for China

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Abstract
The recent removal of India from Chabahar-Zahedan railway link project has elevated the interest of China in the Chabahar port project, which evolved with growing India-Iran Chabahar partnership and the challenges it posed for the Gwadar port project under CPEC. Gwadar Port construction is a part of Chinese geostrategy to transform the geopolitics of the Indian Ocean region and get alternative access to the Persian Gulf. India’s similar geo-strategy in the Chabahar port brought suspicion and uncertainty in the regional balance of power as Indian engagement gave the port all potential to reduce the importance of Gwadar as a transit hub. However, the removal of India from the train sub-project of Chabahar due to continuous delay in funding might give China opportunity to engage with the project and turn the competition into complementarity. This article is an attempt to analyse prospective leverage for China with abating India-Iran Chabahar partnership.

Keywords
Chabahar Port, Geostrategy, Gwadar Port, Geopolitics, Energy corridors
Economic Corridor construction has become a new geostrategy for trade facilitation as well as economic expansion. The importance of Economic corridor concept developed mainly with the success of Greater Mekong Sub-region (GMS) transport connectivity. The motivation to develop economic corridors has been trade facilitation, energy security, enhancement of communication facilities, and so on. Srivastava (2011) noted that the economic corridors although begin as physical connectivity program but are means to integrate economies by reducing the transportation costs, improving market access as well as other diplomatic interactions within and across the region (De 2014).

Hamilton’s 2004 report considered Chinese philosophy of ‘String of Pearls’ strategy as a smart move to ensure consistent supply chain network.

In the last decade, Energy Pipelines have become an increasing motivation for the Economic corridor developments due to the rising concerns about energy security among Industrialized developed/developing countries. The apprehension about energy security increased with China’s transformation from a regional supplier to a one of the largest energy importers (oil and gas), and the way China linked energy needs with economic reforms in its policy circles (Seaman 2011). Booz Allen Hamilton’s 2004 report- ‘Energy Futures in Asia’, considered Chinese philosophy of developing strategic network of naval bases or ‘String of Pearls’ (SOP) strategy as a smart move to ensure consistent supply chain network. SOP strategy and Belt and Road Initiative (BRI) program are the two vital geo-strategies of China shaping the geopolitics in the Indian Ocean region and all the interlinked regions. These strategies involve the construction of economic corridors and energy pipelines to improve diplomatic relations with the economies like Pakistan, Myanmar, and Sri Lanka and so on, to encircle India and counterbalance India-America alignment in the India Ocean region as well.

China-Pakistan-Economic Corridor is one such part of BRI and SOP strategy of China, whose focus is the development of an overland transportation and pipeline link from Gwadar Port to the Xinjiang province of China, as a land-based alternative to the maritime ‘chokepoint’ of the Straits of Malacca, or to deal with the Malacca dilemma. The CPEC has three main motives- economics, geopolitics and energy security, as the intention to connect the Persian Gulf with Kashgar in Northwest China’s Xinjiang province via the Gwadar port will ensure the energy security (Garlick 2018). However, the India-Iran partnership for the construction of Chabahar Port Project came as a counter-balance geo-strategy of India in the
Indian Ocean as well as the Persian Gulf region, as Chabahar port has all the potential to reduce the importance of Gwadar port as a transit hub. But Iran recently removed India from the Chabahar-Zahedan Line Project citing continuous delay in the funding, which might give China an opportunity to engage with the project.

This article is an attempt to analyze how the Gwadar port project and India-Iran growing interaction shaped China’s interest in the Chabahar Port. The main argument of the article is that the recent removal of India from the Chabahar- Zahedan rail line Project will increase China’s leverage in the Chabahar port as well as the Gwadar port.

The Chabahar Port project is significant in terms of its connectivity and economic benefits for India, Iran and Afghanistan as it will reduce the dependence Pakistan for transit routes.

**Chabahar Port Project**

Chabahar is Iran’s only deep-sea port, located in the Southern Sistan- Balochistan province near the Gulf of Oman with the potential to serve North-South connectivity as Central Asian countries can get access to the Arabian Sea, while India and the Middle-East can trade with Russia via Eurasia using Chabahar Port. The Chabahar Port Project encompasses two ports - the Shahid Kalantari and the Shahid Beheshti, each of which has five berths. The annual loading and unloading capacity of Chabahar has reached 8.5 million tons till now, and is expected to reach 86 million tons per year by the end of 2030 (H.Kursad Aslan 2020). The Port project is significant in terms of its connectivity and economic benefits for India, Iran and, Afghanistan as it will reduce the dependence on the Pakistan transit route to connect and trade between India and Afghanistan, and the connectivity to the Persian Gulf region via Bandar-e-Abbas in Iran. The port will enable Afghanistan to pursue its sea-borne external trade without relying on the mercy of Pakistan. The Port construction will be advantageous for Iran in economic as well as geopolitical terms as Chabahar’s 25,000-ton cargo trading capacity will end Iran’s reliance on UAE for its extra ton cargo ships that will diversify Iran’s economic and trade partners.

The idea of Chabahar Port was conceived by Mohammed Reza Pahlavi, last shah of Iran, in 1973 but the project got delayed due to the Islamic revolution. Iran realized the importance of the Chabahar Port during the eight-year Iran-Iran war of 1980s, when it had to be over-dependent on the Hormuz Strait. The Gulf war in 1990s made Iran to emphasize on the need to maintain a seaport distance from historically contested Arabian Gulf and Iraq, and then Iran hired Indian contractors for port construction project but it got halted due to funding issues from Iranian government (Amirthan 2017).
The Project went through certain setbacks at multiple points of time, primarily due to Iran’s geopolitical equations that shifted to anti-USA after the Islamic revolution (1979). As a result, Iran faced economic and other sanctions by USA since 1970s and by the International Atomic Energy Agency (IAEA) since 2000s for its nuclear enrichment. The sanction continued to affect the progress of the Chabahar port as the foreign firms refused to bid for the contracts to supply necessary logistics and port equipment, even India stopped its funding process to the Chabahar port during the sanction period. The project work re-started with signing of JCPOA (Joint Comprehensive Plan of Action) agreement in 2015 whose terms ensured reduction of Iran’s enrichment level in exchange for the easing economic sanctions (Betz 2020).

After JCPOA, Iran began to attract certain global players and foreign investments in its infrastructure projects such as from Japan, South Korea, and others. In fact, Iran invited China and Pakistan to be a part of the Chabahar project before India, but China did not join considering Gwadar port as more significant for its geostrategies. However, China has been continuously there for Iran even during the sanctions period, invested in infrastructure projects of Iran, bilateral trade of more than $600 billion and, in other ways (Mehta 2018).

In 2018, the sanctions were imposed again following the US President Donald Trump’s refusal to accept the JCPOA deal and his announcement to withdraw from the agreement. The situation worsened with the drone strike killing of Iran’s leading military commander, Gen. Qassem Soleimani and the counter ballistic missile attack by Iran that targeted US surveillance drone and coalition forces in Iraq, which further impacted the progress of the Chabahar Port project (Aljazeera, 2019).

However, the tensions between USA and Iran did not affect the Chabahar Port project this time because of the support USA is giving to Afghanistan’s economic growth and development as well as close partnership with India (Basravi 2020).

**Chabahar Port and India: An Uncertain Partnership**

The priorities of India in the Middle East have been different from that of Iran. Iran emphasized on trade boosting as its top agenda not only the ties with India, as Iran has invited other countries to invest in the Chabahar project and even invited Russia’s Gazprom to develop the gas field while shrugged off India from getting part in the Farzad-B gas field. While India has preferred Israel, and GCC member states over Iran as these states are vital in meeting India’s growing demand of oil and
gas. It has also been assumed that GCC is more imperative for India’s economic and regional priorities than Iran (Mehta 2018). The unlike India’s interest in the Chabahar Port evolved due to the following reasons- a) Commercial incentives around the port such as the establishment of Free Trade Industrial Zone (FTZ) that is further divided into nine functional zones- Zahedan, Zaranj, Chabahar, Delaram, Afghanistan, Kandahar, Kabul, Mumbai, Kandla. These zones will be trade gateway for India and Afghanistan in the wake of Pakistan denying usage of its transit facilities; b) the strategic location and investment opportunities in the Port that attracts foreign interests such as Central Asian states, Afghanistan, Russia, and so on. The multiple foreign investments will give further advantages to India in the Chabahar port; c) It can help India to counter the Hormuz dilemma increasingly creating by China through its port development encirclement strategy in Myanmar, Sri Lanka, and Pakistan namely- Kyaukphyu, Hambantota, and Gwadar Ports that would limit Indian naval base operations in Indian Ocean Region.

d) It would contribute significantly to the development of the INSTC (International-North-South Transport Corridor), an infrastructure development plan agreed upon by India, Iran and Russia in 2000. INSTC will provide an alternative and shorter route for India to trade with Europe, as traditional cape route takes more than 40 days that will be reduced to 20 days via Chabahar in less cost as well; e) it will help India to deal with its energy security concerns by connecting India with energy rich Central Asian States and Afghanistan. INSTC originally involved India, Iran and Russia, but with Chabahar project the membership expanded to Central Asian states, Oman, Syria and Belarus giving them the observer status.

Besides these significant reasons, the key driver for India’s engagement in the Chabahar port project has been its geostrategic ambition of counterbalancing Gwadar Port and CPEC project as well as growing China-Pakistan ‘all-weather’ friendship in the IOR. (Mehta 2018). In 2003, India under PM A.B. Vajpayee signed a deal with Iran to renew the pending port construction, to develop alternative route to Afghanistan. Although India was already building Zaranj to Delaram road to get access to Afghanistan from the Southwest, but Chabahar Port was seen as a better solution to India’s transit and connectivity issues. In 2004, Indian building companies, Ashok Leyland and others signed a deal with Iranian government to construct the Chabahar port. A Joint working
group on Chabahar was established by India-Iran, but the work progress halted with the sanctions put on Iran due to the Iranian nuclear program by USA. In 2015, Joint Comprehensive Plan of Action (JCPOA) or Iran Nuclear deal signed between Iran and P5+1 (China, France, Russia, UK, USA, Germany) together with European Union, and UNSC Resolution 2231 made it a legally binding obligation on Iran to limit Iranian nuclear enrichment until 2030.

This revived India-Iran participation on the Chabahar project again with the Memorandum of Understanding (MOU) worth $195 million. The official visit of PM Narendra Modi in 2016 to Iran and signing of the International Transport and Transit Corridor Agreement (or Chabahar Agreement) and other 11 MOUs between India-Iran-Afghanistan boosted the Chabahar Port Project. A part of the trilateral transit agreement was dedicated to the Chabahar port construction project as Indian PM Narendra Modi in May 2016 signed a formal ten-year contract for ‘Equipping and Operating the Chabahar Port’ with Iran. The agreement brought India Ports Global (Jawaharlal Nehru Port Trust and Kandla Port Trust) and Iran’s Aria Banader in partnership to develop the berths, and India committed for $635 million funding to Iranian Infrastructure. Under the contract terms, India would build a 600-metre Cargo terminal and 640-metre container terminal, and equipment of these terminals with five berths. Moreover, India has committed $500 million for the Chabahar Port complex, and $235 million for its expansion project, with plans to build a 500-km long Chabahar-Zahedan railway line in association with IRCON that will be further extended to Zaranj in Afghanistan. (EFSAS commentary)

However, International policies and sanctions have always influenced India’s stance towards Iran, particularly those imposed by USA upon Iran for instance- India suspended its defense relationship with Iran and cut its oil imports during US sanctions on Iran and Libya in 1996 and even during economic sanctions on Iran in 2014. The sanctions also impact India’s capacity to use US dollars for transaction in Iranian infrastructure to which India-Iran found solution by agreeing to revive their 2012 rupee-rial payment mechanism in 2018 to do the payment in Indian rupee. The transactions are being supervised by the UCO Bank, and the National Iran Company has been exempted from ‘withholding tax’ that gets imposed on foreign company profit in India (Pednekar 2019). The above explained issues could be perceived as the reasons for the continuous delay in the progress of the Chabahar project, and uncertainty in the India-Iran partnership.
Gwadar over Chabahar Port: A preferable Geostrategy for China

China has funded several infrastructure projects in Iran like the railway and road connectivity as part of its BRI program, energy trading and so on, but displayed more interest in the Gwadar port construction than the Chabahar port due to certain geopolitical reasons.

The engagement of China-Pakistan evolved as part of their common geopolitical agenda of countering India and other players in the Indian Ocean region, which even referred as geo-positional balancing (Garlick 2018). In policy terms, China decided to invest in the Gwadar Port as a part of its ‘Go West Strategy’ as inspired two broad development scopes outlined by former Chinese President Deng Xiaoping a) Connection of Xinjiang province to the Gwadar Port via Karakoram highway will bring further success to BRI program; b) Gwadar Port shares a border with Central Asian states so could be a cross border region for China to ensure its energy security. Gwadar port is an important part of China’s SOP encirclement strategy aiming to encircle India, as China is already developing ports in Srilanka, Myanmar and Bangladesh. It is a 44 miles (72km) port project and a part of $46-plus billion CPEC, under which China aims to upgrade Pakistan’s infrastructure like road and rail networks, oil, and gas pipelines, and so on to achieve its wider BRI goals (Mehta 2018).

In strategic terms, China decided to invest in the Gwadar port due to following factors- a) Gwadar will be the shortest route for China to import GCC oil as the traditional Strait of Malacca route takes 14,500 km, and the new distance via Gwadar would be only 2,500 km. Although GCC states always prioritize India over Pakistan, but Indian engagement in the Chabahar Port and uncomfortable relations of GCC states with Iran can make Gwadar port a trade gateway for China to reach GCC without using the Malacca route; b) Hormuz factor and Malacca dilemma- China relies on these straits to have access to the Persian Gulf and Indian Ocean region. Malacca facilitates over 70% energy imports of China, while Hormuz is the most important oil passageway, according to the Fortune report in fact 3.5 million barrels out of 13.6 million barrels pass or nearly 26 percent that pass-through Hormuz go to China. However, these straits have potential risk of blockade or closure whenever there will be increased operation traffic in these chokepoints that delays the shipment and trading process of China with Gulf countries. Indian involvement in the Chabahar Port construction ensures it the access to the Hormuz strait thus a competitive and strategic advantage over China in energy trading. China can use Gwadar port to deal
with straits dilemma, and use the same not only to fulfil its energy shipments from Persian Gulf but also in maintaining a forward base to monitor the US naval activity in the Persian Gulf and India naval activity in the Arabian Sea. China can use the Gwadar port in both strategic and military terms to counter-balance India as well as USA in the Indian Ocean region, which could not be possible in the case of Chabahar Port considering Iran’s independent foreign policy that allows no country to dominate or lead its choices.

**Gwadar Port has the potential to revive the old silk route that will be a great economic advantage for China and Pakistan, thus it is perceived as more profitable in comparison to Chabahar Port.**

China signed investment agreement of CPEC in April 2015 for $46 billion after analyzing all the prospects, and has already invested more than $248 million in Phase I and $1.02 billion in the phase 2 of the port construction. It has the potential to revive the old silk route that will be a great economic advantage for China and Pakistan, thus perceived as more profitable in comparison to Chabahar Port. In July 2020, first consignment shipped from UAE to China via Gwadar Port that represented the success of the port operation, and its significance for Middle East states and Afghanistan as well.

However, When India and Afghanistan became stakeholders in Chabahar project with Chabahar-Transport and Transit Agreement; it provoked strong suspicion for both China and Pakistan. Munir Akram, former Pakistani ambassador to UN, called the agreement a new great game against CPEC and One Belt One Road (OBOR) in his article ‘The New Great Game’, which is between China and USA with Pakistan, India, Iran and others in the ‘subsidiary roles’ (Akram 2016). Some Pakistani analysts considers Chabahar as a step to isolate Pakistan at the regional level or an Indian reply to the CPEC, while some other shared fear of losing transit customers in Central Asia after being bypassed by the Chabahar route. However, the official Pakistani statement by Former PM Nawaz Sharif considered the port project as ‘sister port’ of Gwadar. In fact, Sartaz Aziz, foreign affairs advisor to PM emphasized upon the chances of linking Gwadar with Chabahar via Peshawar.

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In fact, there were no official critical comments from China regarding Chabahar, and some news even cited Chinese the then PM Li Keqiang saying that- ‘Chabahar and CPEC (including Gwadar) as complementary projects as infrastructure development in Iran and Afghanistan will further the success of Chinese projects’ (Bilalkhalil 2017).

However, the engagement of India in the Chabahar port project brought rivalry with the Gwadar port and fear of tension as India seeks to develop Chabahar solely and avoid collaboration with other interesting countries such as South Korea, China and others, that will be an obstacle for Gwadar port and CPEC connectivity goals with the Persian Gulf region (Mehta 2018).

**Prospective Leverage for China?**

The removal of India from the Chabahar-Zahedan rail project, a MOU signed in 2016 to construct the 628 km or 390 miles railway line form Chabahar port to Zahedan, by Iran citing ‘absence of active Indian engagement’ came as a big blow for India. Despite getting exemption from US sanction on Chabahar port, India continued to delay the funding of the project thus Iran decided to move ahead alone on the project using $400 million from the National Development Fund of Islamic Republic of Iran. Moreover, Indian ONGC Videsh Ltd (OVL) has been cut off from Iranian gas field development project, an agreement that had been in talks since 2009 (Haidar 2020). This is perceived as a major setback for Indian strategic interests in the Middle East region.

The signing of China-Iran agreement in the same time can be cause of tension for India with regard to the Persian Gulf region. It even seemed that the recent sanctions by Trump administration against Iran have also pushed it towards China’s assistance, thus leading strategic disadvantage to India. China and Iran signed a long-term strategic partnership agreement in July, under which China and Iran will develop strong military and economic ties as China will invest $400 billion in Iranian infrastructure and industries, arms sales to Iran, and in return Iran will give discount in oil, gas and other product supplies to China for next 25 years. This deal would further the goals of BRI in Eurasian region by giving access to Bandar-e-Jask port, near the Strait of Hormuz that would give China the control over one of the maritime chokepoints in the world.

Although, China hasn’t shown interest in funding the Chabahar-Zahedan railway line project yet but the deal shows relative progress in Iran’s confidence upon China than India. The deal was first proposed in 2016 the same year when Iran showed trust in India and signed the Chabahar agreement, but the slower and procrastinated response made India loose one significant part of the project. Iran never gave control to India and Afghanistan in the Chabahar Port so there is nothing to lose in the
first place for India, however, loosing Chabahar partnership would be strong setback for India-Iran ties at the wider level.

India needs to reframe its geostrategies and the priorities regarding the Chabahar port in particular, and the Persian Gulf in general.

Iran is an important part of India’s INSTC as well as China’s BRI, and both corridors carries strategic and geopolitical significance for Iran given the US sanctions and hostile Gulf neighbours. However, If Iran involves China in the Chabahar port the geostrategic goals of India will certainly get limited as it will no longer remain India’s counter-response to Gwadar port construction. China will get the leverage to manage the Gwadar port operation with relatively limited restrictions from India, moreover it can make Chabahar and Gwadar as ‘Sister ports’ and complementary projects that will boost the achievement of BRI goals.

**Conclusion**

Infrastructure construction has become a new tool for geopolitical and geo-economic competition as states seek to break out their prescribed geography to advance their national interest and status quo. The Chabahar and the Gwadar Port projects are examples of such cost benefit geostrategic tools. They are increasingly shaping the geopolitical and economic distrust/competition among India and China, as both ports constructions are perceived as strategic encirclement from each side.

Although removal of India from the rail link project seems to bring leverage to China but it has certain limitations. China has already been facing certain difficulties in the Gwadar port project ranging from funding and domestic security issues of Pakistan to the geographical problems, and others. Pakistan’s poor infrastructure and less financial resources already demands immense Chinese investments and loans with doubts about Pakistan’s ability to repay. In this arrangement, if China wants to invest in the Chabahar port it needs to shape new policies to maintain the economic burden that may become a dilemma later. Despite the limitations, China will get leverages in both the projects with the removal of India as its involvement in the Chabahar would ensure no obstacles and competition for the Gwadar port.

However, the removal from the rail link project does not mean India lost all the stakes and opportunities in the Chabahar port, as other MOUs signed with Chabahar transit agreement are still in the hands of India. Thus, India needs to reframe its geostrategies and the priorities regarding the Chabahar port in particular, and the Persian Gulf in general, if it sincerely wants to ensure its energy security and counter Chinese presence in the Indian Ocean region.
References


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