



## Current Affairs of the Day

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## Iran drops India from Chabahar rail project, cites funding delay

- Four years after India and Iran signed an agreement to construct a rail line from Chabahar port to Zahedan, along the border with Afghanistan, the Iranian government has decided to proceed with the construction on its own, citing delays from the Indian side in funding and starting the project.
- Last week, Iranian Transport and Urban Development Minister Mohammad Eslami inaugurated the track-laying process for the 628 km Chabahar-Zahedan line, which will be extended to Zaranj across the border in Afghanistan.
- The entire project would be completed by March 2022, and that Iranian Railways will proceed without India's assistance, using approximately \$400 million from the Iranian National Development Fund.

### Cause of concern:

- The development comes as China finalises a massive 25-year, \$400 billion strategic partnership deal with Iran, which could cloud India's plans.

### Trilateral agreement:

- The railway project, which was being discussed between the Iranian Railways and the state-owned Indian Railways Construction Ltd (IRCON), was meant to be part of India's commitment to the trilateral agreement between India, Iran and Afghanistan to build an alternate trade route to Afghanistan and Central Asia.
- In May 2016, during Prime Minister Narendra Modi's visit to Tehran to sign the Chabahar agreement with Iranian President Rouhani and Afghanistan President Ghani, IRCON had signed an MoU with the Iranian Rail Ministry.

### Value Added Information

#### Where is Chabahar port?

- Iran's Chabahar port is located on the *Gulf of Oman* and is the only oceanic port of the country. The port gives access to the energy-rich Persian Gulf nations' southern coast.





## Will invest \$10 billion in India, says Google chief

### Key Points:

- Technology giant Google will invest \$10 billion (₹75,000 crore) in India over the next five to seven years with a focus on digitising the economy and building India-first products and services.
- Investments will focus on four areas key to digitisation — enabling affordable access and information for every Indian in their own language, building products and services that are deeply relevant to India's unique needs, empowering businesses on their digital transformation journey, and leveraging technology and AI for social good in areas such as health, education and agriculture.

## Iran, China set to clinch 25-year deal

### Comprehensive Plan for Cooperation between Iran and China

### Key Points:

- Iran and China are close to finalising a 25-year Strategic Partnership which will include Chinese involvement in Chabahar's duty-free zone, an oil refinery nearby, and possibly a larger role in Chabahar port as well.
- According to leaked versions of the 18-page "Comprehensive Plan for Cooperation between Iran and China", being finalised by officials in Tehran and Beijing, the cooperation will extend from investments in infrastructure, manufacturing and upgrading energy and transport facilities, to refurbishing ports, refineries and other installations, and will commit Iranian oil and gas supplies to China during that period.

### Details:

- The proposed tie-up comes even as Iran decided last week to go ahead on its own with the construction of a railway line from Chabahar port to Zahedan, in Afghanistan for which an MoU had been signed with the PSU Indian Railways Construction Ltd (IRCON) four years ago.
- The MoU, signed during Prime Minister Narendra Modi's visit to Tehran in 2016, was to construct the Chabahar-Zahedan railway as "part of transit and



transportation corridor in trilateral agreement between India, Iran and Afghanistan”.

- However, despite several site visits by IRCON engineers, and preparations by Iranian railways, India never began the work, ostensibly due to worries that these could attract U.S. sanctions.
- The U.S. had provided a sanctions waiver for the Chabahar port and the rail line to Zahedan, but it has been difficult to find equipment suppliers and partners due to worries they could be targeted by the U.S., said officials.
- However, Iran proposed a tie-up between the Chinese-run Pakistani port at Gwadar and Chabahar last year, and has offered interests to China in the Bandar-e-Jask port 350km away from Chabahar, as well as in the Chabahar duty-free zone.
- The Iran-China deal impinges on India’s “strategic ties” with Iran and the use of Chabahar port.

## Afghan goods to arrive by Wagah border

- Pakistan will allow Afghanistan to send goods to India via the Wagah border from July 15. The decision, part of Islamabad’s commitment under the **Pakistan-Afghanistan Transit Trade Agreement**, is expected to boost Afghanistan’s exports to India.
- At the special request of the Government of Afghanistan and with a view to facilitating its transit trade, Pakistan has decided to resume Afghan exports through Wagah border crossing from July 15 after implementing COVID-19 related protocols.
- Both Pakistan and India had suspended trade through the Wagah border in March to deal with the pandemic challenge.
- Pakistan Prime Minister’s Special Representative for Afghanistan, Mohammad Sadiq said, “We are moving ahead with promoting economic activity on both sides of the border.”



## ‘Profitability, asset quality in Indian, ASEAN banks to worsen’

### Key Points:

- The challenging economic and credit conditions stemming from COVID-19 will weigh on ASEAN and Indian banks’ asset quality and profitability, Moody’s Investors Service said in a new report.
- In ASEAN and India, bank downgrades in 2020 have been driven by Indian banks, following the downgrade of the sovereign in June.
- Moody’s said the asset quality and profitability will deteriorate from good levels in 2019 across most banking systems, with Singapore, Malaysia and the Philippines having the best asset quality with non-performing loans below 2%. While government support measures will offset some of the pressure on banks, they will not fully eliminate the negative impact, the report said.
- Despite the challenging outlook, the majority of banks are adequately capitalised, and their funding and liquidity will remain sound and stable in 2020-21.

### Credit positive:

- For instance, regulators in India, Thailand and Vietnam have restricted bank dividends, a credit positive for banks, while the largest banks will continue to benefit from deposit inflows as they are seen as safe-heavens in times of stress.
- Moody’s expects the GDP of most ASEAN economies and India will contract in 2020 and gradually recover in 2021.
- The relaxation of lockdowns and resumption of economic activity will be the key factors supporting the recovery.