



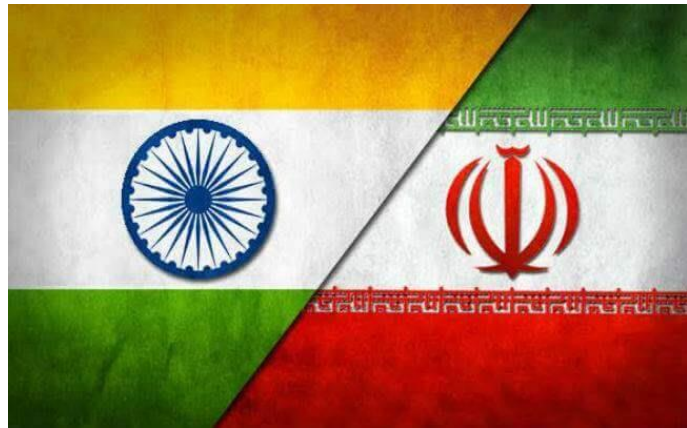
Lost opportunity: On India losing Chabahar project

Context:

- Chabahar port development project.

Background:

- The Chabahar port project was signed between India and Iran in 2003.
- The current administration had fast-tracked plans for the project, and in 2016, the Indian Prime Minister was in Tehran to sign a **trilateral trade and transit agreement** with the Iranian President and the Afghanistan President.
- According to the MoUs, India would be granted a 10-year lease to develop and operate two terminals and five berths, access to the Chabahar free trade zone, and the opportunity to build the 628 km **rail line from Chabahar to Zahedan**, just across the border from Afghanistan.
- India has acted quickly to develop Chabahar port facilities and has used the facilities to export to Afghanistan.



What is the significance of Chabahar port?

- Chabahar port has been a symbol of traditionally important **India-Iran ties**.
- Chabahar port is connected by sea lanes to ports on India's west coast and this would allow Chabahar to form the fulcrum of India's outreach to Russia and Central Asia, **enhancing connectivity**, energy supplies and trade.
- As Pakistan had blocked Indian aid to Afghanistan and all trade over land, **Chabahar provided India an alternative to connect with Afghanistan**.
- Given Chabahar's proximity to the Gwadar port in Pakistan, the Chabahar port project had **geostrategic importance for India**.



Details:

- The proposed rail line from Chabahar to Zahedan has not taken off for a number of reasons.
- Iran has made many changes to the contract, which is deemed against India's interest.
- There has been a delay from India's side despite a commitment from state-owned IRCON.
- Ircon International Limited, formerly Indian Railway Construction Limited, is an engineering and construction organization, specialized in transport infrastructure.
- There has been a **fear of American penalties on transactions with Iran**. Even though India was able to negotiate a **sanctions waiver for the Chabahar port and the rail line from the U.S.**, very few international construction and equipment partners were willing to sign on to the project.
- Recently, Iran has begun laying tracks for the line connecting Chabahar to Afghanistan and Turkmenistan.

What are the major concerns?

- **Loss for India:** Regardless of the reasons for India's inability to join the railway project, the current development would amount to an opportunity lost for India.
- **Questions on autonomy:** The impression that India withdrew due to U.S. pressure, especially after India cancelled oil imports from Iran, also questions India's commitment to **strategic autonomy**.
- **Strategic advantage to China:** This development comes at a time when an imminent deal with China for a 25-year, \$400 billion strategic partnership on infrastructure, connectivity and energy projects is on the tables. India's loss could well become **China's gain of strategic influence in Iran and the larger West Asian region**.