



Iran ties need quiet diplomacy

Context

- India's involvement in the Chabahar-Zahedan railway project in Iran may have run into trouble.
- Iran has decided to go it alone on the rail line from Chabahar port to Zahedan — the project that was slated to be carried out with Indian assistance.



Background:

- Iran's Chabahar port is the only deep seaport and India's gateway to Central Asia. The port was inaugurated in 2017, it not only side-stepped Pakistan but also counter-balanced the Chinese-controlled Gwadar port.
- India had an ambitious plan – offload shipments in Chabahar, load them on trucks and trains, send them to Zahedan in Iran, go further to Zarang in Afghanistan and take the goods to the central Asian republics.
- For this plan to be successful, India needed to develop better connectivity to the port – enter the Chabahar-Zahedan railway line, the 628-km-long track connecting the port to Zahedan.
- The project was part of a trilateral agreement between India, Afghanistan and Iran and India's plans to build an alternate trade route to Afghanistan and Central Asia.
- Indian government-owned Indian Railways Construction Ltd (IRCON) was tasked to finance the project costing up to \$1.6 billion and to provide services, superstructure work.



What are the reason for the cancellation of the project?

- Iran said that India was delaying funding and other associated aspects.
- The delays were also over contract disagreements.
- The project was being stalled because of US sanctions on Iran.
- India was given a waiver from U.S. sanctions to continue cooperation on Chabahar as it contributed to Afghanistan's development.
- Despite the waiver, the project has suffered delays because of the time taken by the U.S. Treasury to actually clear the import of heavy equipment such as rail-mounted gantry cranes, mobile harbour cranes, etc.
- Thus, finding suppliers and partners continued to remain a challenge as banks too were reluctant to provide loans.
- India's dilemma also stems from the fact that robust support from the US is essential when it is locked in a border stand-off with China.

Funding:

- The project is expected to complete in less than two years by March 2022 as the Iranian Railways is going to work without Indian assistance.
- The cost of the project is estimated at approximately \$400 million, from the Iranian National Development Fund.

What is the impact on India?

- It is a diplomatic loss to India. It is a sign of Iran losing confidence in India.
- The development of the port, and the link overland through Iran to the Afghan border, was supposed to be India's answer to Pakistan's denial of the trading route through Wagah to Khyber pass into Afghanistan and beyond, to Central Asia.
- It now seems like a big roadblock in India's strategic ambitions in Central Asia.
- It loses its influence in the trade corridor and it is a setback for India's bigger plan since the railroad was supposed to be a transit corridor to Afghanistan after connecting Chabahar to Zahedan, the railroad was to be linked to Zaranj in Afghanistan.



- Also, it was India's Border Roads Organisation that helped build the 218 km Route 606 in Afghanistan, known otherwise as the Delaram-Zaranj highway that cut road travel time between Afghanistan and Iran.

China's Strategic Partnership Deal:

- Beijing is set to gain from this Chabahar development. The development comes at a time when China is finalising a \$400 billion deal with Iran. Not surprising given the two countries have a common enemy – the United States.
- Once the agreement is in place, China might look to have a major controlling role at Chabahar port, similar to its role at Pakistan's Gwadar port, along with access to its duty-free zone and an oil refinery nearby.
- China will also invest \$120 billion into **Iran's transport and manufacturing infrastructure**, thus giving it inroads into major sectors in Iran including banking, telecommunications, ports and railways.
- Beijing is also concluding a **security and military partnership with Tehran**. It calls for "joint training and exercises, joint research and weapons development and intelligence sharing" to fight "the lopsided battle with terrorism, drug and human trafficking and cross-border crimes".
- Initial reports in Iran have suggested China will deploy 5,000 security personnel to protect its projects in Iran. Some reports suggest **Kish Island in the Persian Gulf**, located at the mouth of the Strait of Hormuz, may be "sold" to China. Iranian officials have denied this.
- Iran is already a signatory of China's Belt and Road Initiative (BRI).

India's loss is China's gain:

- Firstly, it will ensure a tighter grip over Iran which is a country with a population of 80 million and 60 percent people under 30.
- Secondly, Chabahar's loss is Gwadar's gain. The two ports are just 172 km away. Gwadar already has better connectivity, and China is unlikely to be shy of promoting it as the go-to port for trading with Central Asia.
- Thirdly, by kicking India out of a project in Iran, China gets to poison one more of India's allies and China gets to carve its way into trying to influence the affairs in Chabahar.

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- Fourthly, the Iran-China deal impinges on India's "strategic ties" with Iran and the use of Chabahar port. Bandar-e-Jask lies to the west of Chabahar & right before the Straits of Hormuz. China would thus extend its control along the Pakistan-Iran coast.
- If China gets access to the Iranian city of Jask (supposed entrance to the Persian Gulf), it would give China a strong hand in the sea route for most of the world's oil.

Cautious Approach towards China

- Iran may well be considering a long-term partnership with China, but Iranian negotiators are wary of growing Chinese mercantilist tendencies.

Advantage India:

- It is true that China has a greater capacity to resist U.S. sanctions compared to India but Iran realises the advantage of working with its only partner that enjoys a sanctions waiver from the U.S. for Chabahar since it provides connectivity for land-locked Afghanistan.
- Iran and India also share an antipathy to a Taliban takeover in Afghanistan. This is why Iran would like to keep the door open.
- Iranian officials confirmed that India could join later and the MoU between IRCON and Iran's Rail Ministry was still in place.

Way forward:

- There are numerous tales of Indian cooperation projects in Nepal, Bangladesh, Sri Lanka, Myanmar, etc. suffering delays and cost overruns that only make it easier for China to expand its footprint in India's neighbourhood.
- For instance, the Pancheshwar Dam project in Nepal has been hanging fire since 1991. Prime Minister Narendra Modi promised to speed it up when he visited Kathmandu in August 2014, but little progress was made.
- A still to be completed trilateral highway between India, Myanmar and Thailand has been overshadowed by a Chinese-built highway that has boosted China-Myanmar border trade.
- India needs to improve its implementation record of infrastructure projects that it has taken up in its neighbourhood.

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Conclusion:

- New Delhi cannot take its allies for granted especially when Beijing is expanding its horizons of control.
- The key is to continue to remain politically engaged with Iran so that there is a better appreciation of each other's sensitivities and compulsions.
- The Chabahar project is important for India's regional goals, and for its relations with Iran. Therefore, India needs to act quickly.