

INDIA-IRAN RELATIONS: A PARADIGM SHIFT OVER CHABAHAR PORT

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“It isn’t enough to talk about peace. One must believe in it. And it isn’t enough to believe in it. One must work at it.” — Eleanor Roosevelt

ABSTRACT

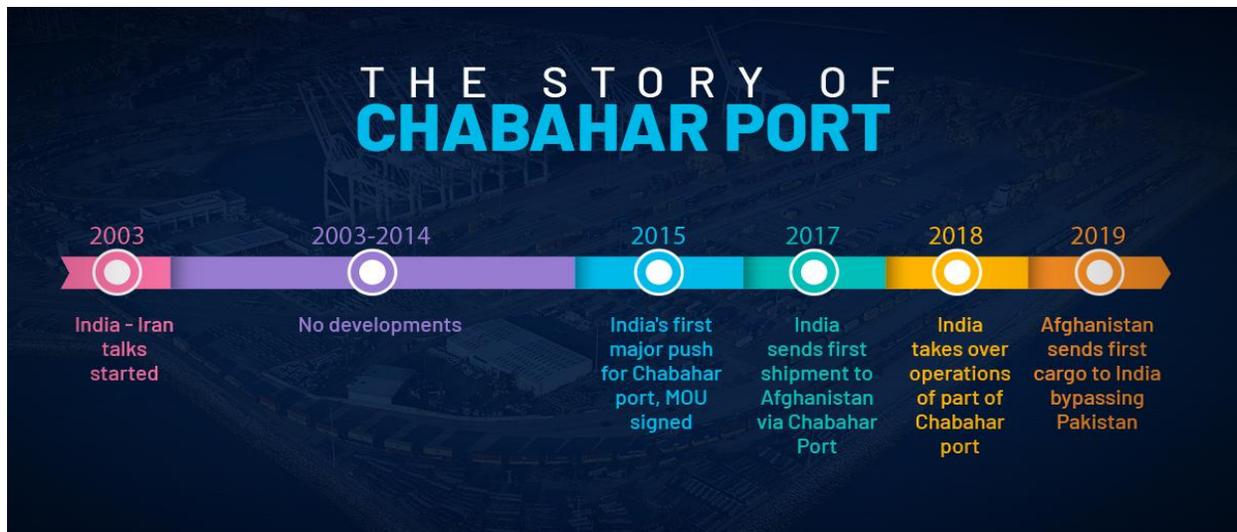
India-Iran bilateral relations have been facing several challenges ever since the United States imposed sanctions on Iran after pulling out from the Joint Comprehensive Plan of Action (JCPOA) in 2018. The move for an India-Iran long-term agreement on Chabahar port comes at a time when China has been showing growing interest in investments in ports and other coastal infrastructure in Iran. The issue holding up the long-term agreement is not major and relates only to jurisdiction for arbitration of differences on any matters, the people said. Under Iran’s Constitution, such arbitration cannot be referred to foreign courts, and a proposal under the agreement would require a constitutional amendment, which would be difficult, they pointed out. Both sides, however, are hopeful of the speedy resolution of this matter as legal and technical experts are working on it, the people said. At the same time, the Iranian side has been pushing India to speed up development of its operations at Chabahar port, including the completion of the 700-km Chabahar-Zahedan railway line.

INTRODUCTION

Chabahar is the only port of Iran, which consists of two separate ports named Shahid Kalantari and Shahid Beheshti. Both the countries agreed to develop to develop Shahid Kalantari port in 2003. But it was due to the sanctions on Iran. In year 2016, this project was resumed once again as India will be going to construct 600 metres long container handling facility at the port. The Chabahar Port is considered as the gateway to golden opportunities for trade to India, Iran and Afghanistan with the Central Asian countries through Sistan and

Baluchistan province of Iran which is located in the Indian Ocean. It is a major sea or strategic port located in the south-east of Iran on the Gulf of Oman.

India signed the Chabahar project in 2016. It is an US \$8 Billion project that aims to develop Chabahar port in the south-eastern Iran. This port termed as an alternate route for trade between India and Afghanistan. The land route from India to Afghanistan is not accessible through Pakistan. The project is also seen as a counter to Pakistan’s Gwadar port which is being undertaken by the China.



India's investment in the Chabahar has always been held hostage to international politics shift on Iran. United States policy in particular has swung widely in the last two decades. United States has imposed the heavy sanctions on Iran until a nuclear talk between the P-5+1 (USA, Russia, France, Britain, China and Germany) held in year 2006, ended successfully with the signing of Joint Comprehensive Plan of Action (JCPOA) in 2015. As a result, India continued negotiations with Iran on Chabahar port that it was not until after the sanctions were lifted that could make headway. The Chabahar agreement which include the Tri-lateral Agreement on the establishment of international transport and transit corridor between India-Iran-Afghanistan which was signed by the Indian Prime Minister Narendra Modi, Iranian President Hassan Rouhani and the President of Afghanistan Ashraf Ghani.

Under this project the development of port and a railway line is going to construct and funded by IRCON. In a year 2018, however US President Donald Trump overturned JCPOA and re-imposed stringent sanctions on Iran. This means India's energy imports from Iran, which was its third largest supplier which could be dropped to zero. The bilateral trade which is depends on a Rupee-Rial exchange mechanism has also stopped. The USA gave Chabahar Port and railway line a special waiver or "carve out", but the sanctions made it very difficult for the companies dealing with the US to participate in the project.

As a result, on 14 July 2020, Iran proceeded with the construction of the Chabahar-Zahedan rail link independently, citing delays in the proposed funding from India. Iran issued a statement, clarifying that while the funding of the rail link by IRCON had come up in negotiations, it had not been agreed upon between India and Iran. They decided to construct the Chabahar- Zahedan railway line project own its own by 2022 with the estimated fund provided by the National Development Fund of Islamic Republic of Iran of about US \$ 400 million.

While the contract changes by the Iranian side and mentioned the delayed response from the Indian side were the part of the problem, the main hurdle has been the fear of the American sanctions. The reason for the India's inability to join the railway project, the decision can only be seen as a lost opportunity. The impression that India waived due to US pressure, especially after India cancelled oil imports from Iran which also questions Indian government commitment to strategic autonomy. On the other hand, Iran claims that it will fund the railway line project using its own resources, as it seems to have embarked on the Chabahar-Zahedan Railway Line Project with a confidence borne from imminent deal with China for US \$400 Billion, Strategic Partnership Deal for 25 Years on infrastructure, connectivity and energy projects. In a world where connectivity is seen as the new currency India's loss could well become China's gain.

BILATERAL RELATIONS

India-Iran has stronger bilateral ties and the established their relationship on March 15, 1950. India was Iran's second largest importer of oil prior to the US sanctions over him. The relations between both the countries were not so good during the cold war period as India has a strong military with USSR while Iran has same relationship with US. Later on the relationship with India gain some new heights and turn it to the millennium after the visit of the then Prime Minister Atal Bihari Vajpayee to Tehran, Iran in 2001 where both the countries agreed to signed the **"Tehran Declaration"** which laid the strong foundation in the relationship between both the countries in the possible areas of cooperation. Some other notable talks which strengthen the ties are as follows:

- In 2003, President Mohammad Khatami of Iran visited India as a chief guest in Republic Day Parade and both the countries signed **"The New Delhi Declaration"** whose vision is for Strategic Partnership between India and Iran.



Unfortunately, the bilateral ties between the India-Iran comes to a low during recent times as Iran decided to drop India from Chabahar-Zahedan Railway Line Project due to their strategic shift towards China. The US sanctions over Iran and decreasing demand of oil from India from Iran and increasing Indian interests towards US. But there is always a hope to get back the relations on track after

- Prime Minister Dr Manmohan Singh of India visited Iran to attend the **16th Non-Aligned Movement (NAM) Summit** in 2012.
- In 2013, Indian Foreign Minister Salman Khurshid of India visited Tehran for the **17th India-Iran Joint Commission Meeting (JCM)**.
- In 2016, Women and Child Development Minister Maneka Gandhi of India visited Iran to attend **10th International Energy Management Conference**.
- In 2016, Foreign Minister of Iran Zarif accompanied by a large business delegation visited India for the **6th Heart of Asia Ministerial Conference** at Amritsar, India.
- Prime Minister Narendra Modi of India visited Iran had discussed several agendas and signed **12 Memorandum of Understanding (MoU)** between India and Iran in 2016.
- In 2015, A **Trilateral Agreement on Transit and Transport** was signed between three countries India-Iran-Afghanistan.

some negotiations and bilateral talks held at different levels.

CHABAHAR PORT- ZAHEDAN RAIL LINE PROJECT

In January 2018, Iran and India signed an agreement worth \$2 billion for cooperation in the rail sector. A

part of the agreement pertains to a MoU worth about approximately \$600 million for Iran under which purchase of locomotives and freight cars from India. The agreement for the development of the Chabahar Port and for the construction of 628 Km railway line from Chabahar Port to Zahedan. It was signed as a part of India's commitment in trade and business with Iran and Afghanistan. If this railway line project is completed by India would have served

India an alternate trade route with Afghanistan and the rest of the Central Asian Countries. In 2016 the Memorandum of Understanding (MoU) was signed was signed for the railway line construction between the India's IRCON International Limited (Formerly known as Indian Railway Construction Limited) and the Iranian Railway during the visit of Prime Minister Narendra Modi to Iran.



On July 14, 2020, the Ministry of Iran has decided to drop India from this project for constructing the Chabahar Port of Zahedan Railway Line project and also decided to proceed with the construction of this rail project by their own. This ambitious project is important for both the countries on logistics and strategic basis and can counter China's Gwadar Port. India and Iran has historic relations among them but the current government has sought to maintain the strong bonds in the face of opposition from Iran's adversaries namely the US, Saudi Arab and Israel. This project of Chabahar deals with the major trade and connectivity hub on Iran's coast not only gives India an alternative route to Afghanistan bypass Pakistan, but it will also provide the potential to the India to counter the Pakistan's Gwadar Port

strategically which is being developed by the Chinese assistance.

On the other hand, Chabahar port developmet has moved forward in last few years, the railway line attenuated. After several threats and appeal to India, Iran said that we are moving ahead to build the Chabahar Port-Zahedan Railway Line on its own very soon with the approximately US \$400 Million from the National Development Fund of Islamic Republic of Iran.

DROPPING FROM RAILWAY PROJECT IS A MAJOR BLOW FOR INDIA?

To counter the Chinese presence in the Arabian Sea through which China is trying to ensure by

helping Pakistan develop the Gwadar port, Chabahar port will result as a game changer to India. The port of Gwadar is less than about 100 km by sea route and 400 km from Chabahar by land route. The building and operational work will be done by India through which Iran also becomes a military ally to India. The port of Chabahar could be used in case China decides to flex its navy by stationing ships in Gwadar port to reckon its upper hand in the Indian Ocean, Persian Gulf and Middle East. It will ensure that the establishment of a politically sustainable connectivity between India and Afghanistan. This will in turn, lead to better economic ties between the two countries. Chabahar port can be used as a point from where humanitarian operations could be coordinated at diplomatic levels.

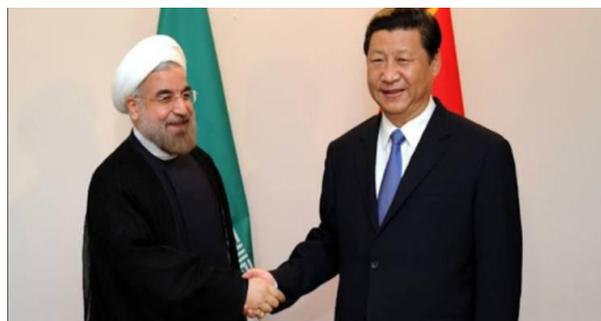
Indian stakes in Chabahar remain strong and no matter who builds the railway line under the project of Chabahar-Zahedan, Indian trade could still find its way to Afghanistan and Central Asia. Indian monetary losses are minimal, as it has not invested money or material on the rail line yet. In past few months the increasing tension between US and Iran will also cost this after India closely watching the situation along these two rivals. But there will be worry for India that there might be some reputational damage from the idea that India gave in to US sanctions, departure from the past. The Chinese trapping policy cannot have stopped once again and they now targeted Iran to be in their trap

by providing financial aid to complete their project and drop India from this project. China's growing roads in Iran could make Indian projects there more unviable. The largest worry is that Chabahar, the enduring and the ambitious project and have strategic importance India and Iran relationship which could become collateral damage in larger proxy war between US and China.

IRANIAN SHIFTS TOWARDS CHINA

"There is some self-interest behind every friendship. There is no friendship without self-interests. This is a bitter Truth" — Chanakya

In present times, China continues to spread its arms to make the nations in their own favour by providing the financial aid or assistance trap. Now this time China targeted Iran and its under construction Chabahar Port to harm the strategic relations of India and Iran. In the year 2016, Chinese President Xi Jinping visited Iran and announced the 25 years' Strategic Partnership deal with Iran of worth US \$400 million which includes the Chabahar's duty free zone, an oil refinery nearby and possibly a larger role in the Chabahar Port as well. This strategic partnership was first proposed by the Chinese President as it was just after the nuclear deal was reached in 2015 that led to most of the international sanctions on Iran being lifted. Now, when Iran is grappling with a struggling economy hit by the sanctions following the unravelling of the deal its leadership has declared the Chinese proposal.



Both the countries are the rivals of United States of America, as one is a huge energy market and is abundant with surplus cash and other is a sanctions

hit cash-strapped energy exporter. At a time when US is targeting both through the host of the economic measures China and Iran taking their

partnership to new heights through the long term agreement between them. Iran has very crucial place in the China's Belt and Road Initiative (BRI) project. China always wanted to bring Iran on board as the Americans pursued the policy of "maximum pressure" against Iran and left Iran under extraordinary privation and depreciation which is now open to the Chinese initiative. This is a meeting of two countries that have very unfair being mistreated by the Americans.

Coincidentally, at a time when Iran and China were finalising this long term partnership agreement Iran has dropped India from the Chabahar-Zahedan Railway Line Project along with the border with Afghanistan. But Iranian officials cited that there is a delay in the proposal of US \$400 million funding from the Indian side as the reason for dropping India from this ambitious project. Under this partnership agreement, China is likely to play a role in Chabahar duty-free-zone and in the port. Iran has proposed a tie up between the port at Gwadar and Chabahar and has offered their interest to China in Bandar-e-Jask port which is 350 KM away from the Chabahar port as well as in the Chabahar duty-free-zone.

In the second tenure of the Prime Minister Narendra Modi government none of this has happened, India somehow shifted towards USA who is the rival of both China and Iran. Iran also mentioned that it was a very sensitive mistake that Iran cannot afford to wait for India forever. They already waited for a long time of 17 years and look at the value they have reached.

CONCLUSION

As we all are well aware that Iran occupies a significant place in India's Foreign Policy of West Asia. It has a considerable importance in the field of energy, economic and geo-strategic interests in India's Foreign Policy calculations. Right from the beginning of its tenure both the governments have underlined the geo-strategic importance which attaches to the Chabahar Port project. This project was officially first signed in 2003, which has been a symbol of traditionally important India-Iran

relationship. It is concerns by the sea-lanes to ports on India's west coast, Chabahar would form the fulcrum of India's outreach to Russia and to the Central Asia, enhancing connectivity energy supplies and trade. It is known that Pakistan has blocked Indian aid to Afghanistan and all trade over land, Chabahar provided Indian an alternative to permanently bypass its trouble some neighbours. According to the MoU, India would India would be granted a 10 Years lease and 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 route.

The India-Iran relations have much stronger ties but due to some misleading politics of China as always a part of his strategy to put the country under their financial trap. So that afterwards China can claim his hold over that country with their one sided policies of attraction. After analysing the current situations and tension arises between the India and Iran due to the dropping of India from Chabahar-Zahedan Rail Line Project and decided to complete this project by his own funds of approximately US \$400 Million from the National Development Fund of Islamic Republic of Iran which is to completed till 2022.

This pandemic of COVID-19 and the assassination of Iranian Commander General Qasem Soleimani in April 2020 by the US Air Force in air strike and imposing of strict sanctions on Iran for economic and trade sectors which leads to the increase in tensions between Iran and US. These tensions among both the countries create a worse impact on Central Asia, India, Russia etc. this could be big blow for Iran on an economic sector and this makes him shift towards China. By this move Chinese took the advantage of this bitter relationship between US and Iran who has played a soft diplomacy and decided to fund the Chabahar Port which could be part of Chinese Diplomacy to counter US and India.

But it was not a door closed for intentionally dropping India from Chabahar-Zahedan Railway Line Project. Meanwhile, both the countries also have left the door opened for the IRCON to

return to the project at later on proceedings, but for the moment India is not a part of this ambitious railway line project.

ABBREVIATIONS

JCPOA	-	Joint Comprehensive Plan of Action
JCM	-	Joint Commission Meeting
MoU	-	Memorandum of Understanding
NAM	-	Non-Aligned Movement
BRI	-	Belt and Road Initiative

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