

ISAS Brief

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Implications of an Indo-Iranian Initiative

It has been announced that India's Prime Minister Narendra Modi will visit the Islamic Republic of Iran from 22 May 2016. Expectations are high that he will firm up the Chabahar Agreement, committing substantial Indian investment to develop the all-weather, deep-sea port for Iran. This would mark a culmination point in a project that has long been envisioned and planned. Chabahar could become a gateway linking Eurasia to the Indian Ocean littoral.

Jivanta Schottli¹

India-Iran relations look set to receive a boost with Mr Narendra Modi's prospective visit. Preparations for the visit gained momentum once it seemed likely, in early April 2015, that the UN sanctions on Iran would be lifted. A post-sanctions Iran faces global opportunities and options, thus increasing the urgency for Indian policy makers to finalise deals, also removed are the pressures that were being exerted on India to discourage its deeper engagement with Iran, especially on the issue of gas pipelines and investments. A draft agreement on Chabahar is now said to be in place, the exact details of which have yet to be released. However, a number of steps appear to have been taken to reach mutually favourable terms and conditions, with potentially far-reaching implications for bilateral and regional relations.

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Chabahar, a Project at Long Last.

Located in the Gulf of Oman, Chabahar would be Iran's only deep-sea port and an important access point to the Indian Ocean. India has been involved, on and off, in various projects to develop Chabahar into a hub for goods entering into and leaving from the region. For various reasons, internal, bilateral as well as external, these initiatives did not take off. At present, however conditions seem conducive to concrete action. The vision of developing Chabahar and connecting it to a deep network of multimodal infrastructure plans appeals to the key stakeholders. In Iran, the government urgently needs to catalyse economic development, especially in the area surrounding Chabahar, located in the country's poorest, most underdeveloped and often restive Sistan and Baluchistan Province. In fact, Chabahar was already designated by the Iranian Government as a Free Trade and Industrial Zone, as far back as in the early-1990s-with the hope of attracting investment.

For neighbouring Afghanistan (involved in the Trilateral Transport and Transit Corridor Agreement), there is keen interest in the Chabahar project to overcome the constraints of a landlocked country for trade. To India, the Chabahar project offers not only an opportunity to intensify strategic relations with Iran but it would also mark the launching of global operations by the Indian Shipping Ministry, under the recently-created Indian Ports Global Pvt Ltd (IPGPL), a joint venture between the Government-owned Jawaharlal Nehru Port Trust in Maharashtra and the Kandla Port Trust of Gujarat.

In February 2016, it was announced that India's Union Cabinet had approved the Ministry of Shipping's proposal to provide and operationalize a credit of 150 million US dollars from the Export-Import Bank of India for the development of Chabahar Port. The negotiations for contracts to begin the supply of steel are also said to have been initiated. Furthermore, on the related topic of India's rights to gas exploration and extraction, progress has been made. On 16 April, India's Minister for Petroleum and Natural Gas Dharmendra Pradhan visited Tehran with a delegation of major Indian private-sector representatives from the oil, gas, and energy sectors, holding an interest in investing in the Chabahar Special Economic Zone (SEZ). India hopes to be granted land in the SEZ and to get favourable treatment in the pricing of gas for the lifetime of any joint venture project to be set up most likely by a consortium of Indian

companies, led by the state-owned Oil and Natural Gas Corporation Limited's international subsidiary, ONGC-Videsh.

Pipelines, Ports and Politics

While a number of the long-running hurdles and glitches appear to have been addressed and overcome, there will be discussion points including the question of India's involvement in the second phase of port-development. Reportedly under the current draft agreement, India will agree that, after 10 years of setting up two fully operational berths (a container terminal and a multi-purpose cargo terminal), all the equipment brought in by India would be transferred to Iran. What happens beyond those 10 years might be an important question to negotiate now itself.

Other sticky issues will be how closer Indo-Iranian cooperation might affect relations with the neighbouring countries, and the potential for irritants such as the recent dispute between India and Pakistan over the latter's charge that an Indian Research and Analysis Wing (RAW) agent was arrested for "illegal entry" and "subversive activities", he having allegedly sneaked in from across the Iran-Pakistan border. New Delhi dismissed the claim and launched an investigation into the possibility that the Chabahar-based man, running a small-scale business, could have been abducted by a radical Sunni group. The possibility of Chabahar being, becoming or at least seen to be, a listening post for Indian intelligence can create opportunities for tension. Gwadar, the other major, strategic port-development project in the neighbourhood, is located just 72 nautical miles southeast of Chabahar, in Pakistan's Balochistan Province. How India balances its relations with Iran, whilst at the same time engaging with other highly important regional players such as Saudi Arabia and Israel, is going to require delicate diplomacy. In addition, India will have to manage the expectations raised, and the criticism that will be made, about India's strategic plans and performance vis-a-vis China's activities in the region.

Ports and pipelines however, can become the means through which to inculcate and promote cooperation within the region and beyond. Already this is happening. For example, during her visit to Oman in February 2015, India's External Affairs Minister Sushma Swaraj talked

about reviving the deep-sea gas pipeline between Iran, Oman and India. Recently, India's Cabinet also approved accession to the Ashgabat Agreement, which applies to Oman, Iran, Turkmenistan and Uzbekistan as founding members, enabling India to use the existing framework for transport and transit arrangements. This will feed into the grander project of a North-South Transit Corridor linking Eurasia to the Indian Ocean. In all of this, Chabahar will be the lynchpin.

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